Department of Legislative Services

Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

House Bill 72 (The Speaker)(By Request - Administration)

Appropriations Budget and Taxation

Budget Reconciliation and Financing Act of 2011

This Administration bill executes a variety of actions that help to balance the State budget, mostly by transferring special fund balances to the general fund, redirecting special fund revenues to the general fund, adjusting mandated spending levels, increasing special fund revenues, and using special and other funds to cover general fund costs.

The bill takes effect June 1, 2011, although several provisions do not take effect until July 1, 2011, and several provisions are contingent on enactment of other legislation and transfer of funds by the Governor.

Fiscal Summary

State Effect: General fund revenues increase by $32.0 million in FY 2011 and $387.9 million in FY 2012 due to revenue enhancements, fund balance transfers, and the redirection of special fund revenues to the general fund. General fund expenditures decrease by $2.5 million in FY 2011 and $711.3 million in FY 2012 due to fund swaps, mandate relief, and cost control actions, offset somewhat by new costs. All of the general fund spending reductions are incorporated in the FY 2012 State budget, but an increase of $1.1 million is not included in the budget. Special fund expenditures increase by an estimated $169.5 million in FY 2012, including $103.7 million that is not budgeted. Future years reflect ongoing effects. **This bill reduces mandated appropriations.**

($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	$32.0	$387.9	$94.0	$53.4	$54.2
SF Revenue	($23.0)	$338.8	$137.9	$162.2	$179.1
FF Revenue	$0	$23.4	$24.3	$25.3	$26.3
NonBud Rev.	$0	$.9	$1.2	$.4	$.4
GF Expenditure	($2.5)	($711.3)	($668.2)	($669.0)	($654.5)
SF Expenditure	$2.5	$169.5	$19.5	($4.0)	$11.1
FF Expenditure	$0	$7.1	($4.9)	($8.7)	($2.8)
ReimB. Exp.	$0	($1.0)	($1.9)	($2.5)	($2.0)
Higher Ed Exp.	$0	($18.7)	($34.4)	($46.7)	($36.4)
Bond Exp.	$0	($15.4)	$30.1	$8.6	$8.6
Net Effect	$8.9	$1,320.9	$917.3	$963.7	$936.0

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

Local Effect: Local revenues from direct State aid decrease by a net of $27.6 million in FY 2012, and State payments in lieu of taxes (PILOTs) to counties decrease by an additional $1.7 million. State payments on behalf of local employees through the teachers' retirement program decrease by an additional $79.9 million in FY 2012 due to benefit changes. Local payments for property valuation, State Retirement Agency administrative costs, and the education of some students in State-supervised care increase by an estimated $55.0 million. **This bill imposes mandates on units of local government.**

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Bill Summary: In addition to balancing the budget, the bill also reduces the State's unfunded pension and retiree health liabilities, realigns revenue sources for the general fund and the Transportation Trust Fund (TTF), and enhances fiscal 2012 State aid for local transportation projects and for a few local jurisdictions that would otherwise experience significant decreases in State aid.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget.

Background: Although general fund revenues are expected to rebound somewhat in fiscal 2011 and 2012 after two consecutive year-over-year declines, the State still faces a significant gap between ongoing general fund spending and revenues. Federal stimulus funds provided through the American Recovery and Reinvestment Act of 2009 have been integral to the State's ability to meet its education and health obligations over the last two years but will no longer be available in fiscal 2012. These federal funds are covering nearly $1.2 billion in ongoing State spending in fiscal 2011, including $422 million in education aid and $670 million from a temporary enhancement in the federal Medicaid match. The loss of these funds in fiscal 2012, coupled with a sluggish recovery from the national recession, leaves a sizable gap between ongoing general fund spending and revenues.

In December 2010, the Spending Affordability Committee recommended that the fiscal 2012 State budget reduce the State's $2 billion structural imbalance by 33%. This bill implements statutory changes needed to generate the recommended structural changes, while also executing temporary measures needed to ensure that the budget is balanced in fiscal 2012.

The bill also addresses the State's unfunded pension and retiree health liabilities. The Public Employees' and Retirees' Benefit Sustainability Commission, which was established through the Budget Reconciliation and Financing Act of 2010 (Chapter 484) and met during fall 2010, recognized approximately $35 billion in unfunded liabilities and specifically noted that the State's current benefit structure is unsustainable. Provisions in the bill address the liabilities by restructuring pension benefits for current and future State and local employees and health benefits for State retirees.

State Fiscal Effect: Estimates of the fiscal 2011 and 2012 impact of the bill on the State's general fund are shown in **Exhibit 1**. The table indicates that the bill improves the State's general fund position by $34.4 million in fiscal 2011, mostly due to the redirection of dedicated revenue streams and fund balance transfers. In fiscal 2012, the bill improves the general fund outlook by an additional $1.1 billion through a combination of revenue and expenditure actions. The two-year impact on the general fund sums to $1.13 billion.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2011
Fiscal 2011 and 2012
($ in Millions)

	FY 2011	FY 2012
Revenues		
Redirected Special Fund Revenues	$23.0	$115.9
Fund Balance Transfers	9.0	223.6
Revenue Enhancements	0.0	48.6
Redirected General Fund Revenues	0.0	(0.1)
Revenue Subtotal	$32.0	$387.9
Expenditures		
Fund Swaps	(2.5)	(514.4)
Cost Control Measures	0.0	(190.9)
Mandate Relief	0.0	(44.1)
Local Aid Increases	0.0	22.5
Administrative and Other Costs	0.0	15.6
Expenditure Subtotal	($2.5)	($711.3)
General Fund Improvement	**$34.4**	**$1,099.3**

Note: Numbers may not sum to total due to rounding.

The bill increases special fund expenditures by a net of $169.5 million in fiscal 2012, including $73.7 million in expenditures that has been included in the fiscal 2012 State budget. Excluding an $8.0 million reduction in special fund spending that is not yet incorporated in the budget, $103.7 million in special fund expenditures authorized by the bill have not been budgeted. **Exhibit 2** enumerates the special fund spending increases that are assumed or authorized in this bill but were not included in the fiscal 2012 budget adopted by the General Assembly.

Exhibit 2
Fiscal 2012 Special Fund Expenditures Authorized but Not Included in State Budget
($ in Millions)

Spending from the Nursing Home Assessment Fee Increase	$35.5
Payments from Counties for Property Valuation	34.8
Local Payments for Retirement Agency Administration	16.6
CareFirst Subsidies for Kidney Disease Program	11.6
Local Payments for Education of Students in State-supervised Care	3.5
9-1-1 Trust Fund Spending for State Police Information Technology Projects	1.0
Traffic Conviction Surcharges for Riley Tuition Reimbursement Program	0.3
Postsecondary Institution Payments for Program Review and Approval	0.3
Payroll Garnishment Fees for Payroll Administration	0.1
Total Unbudgeted Special Fund Expenditures	**$103.7**

The bill also includes several provisions that realign general fund and TTF revenues and that bolster and protect future TTF revenues. Generally, the bill ends ongoing revenue transfers between the general fund and TTF; all sales tax revenue is credited to the general fund, a higher share of corporate income tax revenue is dedicated to the general fund, and the general fund share of Highway User Revenues (HUR) is credited to TTF. In fiscal 2012 only, the bill also increases the local share of HUR and transfers $40.0 million from TTF to the Rainy Day Fund. In order to repay those transfers and provide additional ongoing revenue for TTF, the bill increases the certificate of title fee, the vanity tag fee, and the dealer processing charge and reduces the dealer vendor credit. The bill also redirects proceeds from the sale of the existing Department of State Police (DSP) helicopter fleet and related equipment from TTF to the Annuity Bond Fund, and requires that $3.0 million annually of the revenues from work zone speed control systems be distributed to DSP instead of to TTF in fiscal 2013 through 2015. As shown in **Exhibit 3**, TTF revenues increase by $362.4 million from fiscal 2012 through 2016.

Exhibit 3
Impact of the Budget Reconciliation and Financing Act of 2011
on Transportation Trust Fund
Fiscal 2012-2016
($ in Millions)

	FY12	FY13	FY14	FY15	FY16	Total
TTF Revenue Increases						
Certificate of Title Fee	$52.5	$59.3	$65.1	$71.2	$72.6	$320.7
Dealer Processing Charge	5.3	5.9	6.4	13.6	13.8	45.0
Dealer Vendor Credit	3.7	4.3	4.8	5.3	5.6	23.7
Vanity Tags	2.5	2.5	2.6	2.6	2.7	12.9
Subtotal	**$63.9**	**$72.0**	**$79.0**	**$92.7**	**$94.7**	**$402.3**
TTF/GF Revenue Distribution						
TTF Share of Sales Tax to GF	(212.0)	(225.0)	(289.0)	(301.0)	(312.0)	(1,339.0)
TTF Share of Corporate Income Tax to GF	0	(112.0)	(38.0)	(39.0)	(40.0)	(229.0)
GF Share of HUR to TTF	151.0	337.0	353.0	365.0	373.0	1,579.0
Subtotal	**($61.0)**	**$0.0**	**$26.0**	**$25.0**	**$21.0**	**$11.0**
Rainy Day Fund Transfer	(40.0)	0	0	0	0	(40.0)
Helicopter Proceeds to ABF	(2.6)	0	0	0	0	(2.6)
Speed Monitoring Revenue to DSP	0	(2.3)[1]	(3.0)	(3.0)	0	(8.3)
Overall Impact on TTF	**($39.7)**	**$69.7**	**$102.0**	**$114.7**	**$115.7**	**$362.4**

TTF: Transportation Trust Fund
GF: General Fund
HUR: Highway User Revenues
ABF: Annuity Bond Fund
DSP: Department of State Police

Note: Numbers may not sum to total due to rounding.
[1]Fiscal 2012 impact is prorated because under current law, until October 1, 2012, these funds would already be distributed to the State Police.

Source: Maryland Department of Transportation; Department of Legislative Services

In addition, the bill:

- prohibits, beginning July 1, 2012, the transfer of State TTF revenue to the general fund unless legislation provides for repayment of the funds within five years;

- requires the Maryland Transit Administration to increase fares or other revenues to meet the existing farebox recovery requirement of 35%; and

- repeals prohibitions relating to funding the construction or operation of a rail system based on magnetic levitation technology.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 9). The fiscal 2011 to 2016 State effects for each provision are included with the discussions. Charts identifying and totaling the fiscal impact of separate provisions by fund type are provided in **Appendix B** (pages 157-162).

Local Fiscal Effect: Various fiscal 2012 reductions in direct aid to local government units decrease aid by $63.9 million from the required spending levels; however, separate provisions add $13.8 million in local HUR, $13.6 million in education aid, and $8.8 million for the local disparity grant program. The additional local HUR money targets an area of need following recent reductions in State funding for local transportation projects, and the increases in education aid and disparity grant funding specifically direct funds to jurisdictions that would otherwise be scheduled for decreases in State aid. Summing the reductions and the targeted aid increases, direct State aid decreases by $27.6 million. State PILOTs to counties decrease by another $1.7 million, bringing the net reduction in local revenues to $29.4 million. In addition, an estimated $55.0 million in State costs will be shifted to counties in fiscal 2012. The aggregate fiscal 2012 impact of the bill on local government units is detailed in **Exhibit 4**.

In addition to the loss of local revenues and the costs that are shifted to counties, State payments on behalf of local school, library, and community college boards are reduced by a total of $79.9 million in fiscal 2012. This does not directly impact the boards since the State pays 100% of these costs; however, changes to the State Teachers' Pension System, which allow the State to recognize the savings, reduce the benefits that local board employees will receive.

Exhibit 4
Impact of the Budget Reconciliation and Financing Act of 2011
on Units of Local Government
Fiscal 2012
($ in Millions)

Impact on Local Revenues	
Reductions in Direct State Aid	
Education Aid (Decrease in Per Pupil Foundation Amount)	($35.3)
Program Open Space[1]	(20.8)
Local Libraries	(2.4)
State and Regional Library Resource Centers	(1.7)
Community College Statewide and Health Manpower Grants	(3.7)
Authorized Additions to Direct Aid	
Disparity Grant[2]	8.8
6.5% Cap on Decreases in Education Aid[2]	1.4
Guaranteed Tax Base[2]	12.2
Highway User Revenues	13.8
Other Payments to Local Governments	
State Parks and Forests – State Payments in Lieu of Taxes	(1.7)
Local Revenues Subtotal	($29.4)
Costs Shifted to Counties	
Assessments and Taxation Property Valuation Costs	$34.8
Retirement Agency Administrative Costs	16.6
Education Costs for Children in State-supervised Care	3.5
Local Costs Subtotal	$55.0
Total Direct Impact on Local Government Units	**($84.3)**
Payments on Behalf of Local Boards	(79.9)
Total Impact on Local Government Units	**($164.2)**

[1]Approximately $7 million of the reduction is replaced with general obligation bond funding in the fiscal 2012 capital budget.
[2]Contingent on the enactment of Senate Bill 994 (Chapter 571 of 2011) and the Governor transferring the funds authorized in the fiscal 2012 State budget (Chapter 395 of 2011).
Note: Numbers may not sum to total due to rounding.

When applicable, the discussions of individual provisions in Appendix A include sections describing the local effect of each provision. Fiscal 2012 local impacts are shown by county in **Appendices C1** to **C5** (pages 163-167).

Additional Information

Prior Introductions: None.

Cross File: SB 87 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): Caroline, Calvert, Garrett, Howard, Prince George's, and Montgomery counties; Baltimore City; State Department of Assessments and Taxation; Maryland Department of Agriculture; CareFirst Blue Cross/Blue Shield; Baltimore City Community College; Department of Business and Economic Development; Board of Public Works; Department of Budget and Management; Department of Human Resources; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland Department of the Environment; Maryland Institute for Emergency Medical Services Systems; Maryland Food Center Authority; Governor's Office; Department of General Services; Department of Housing and Community Development; Maryland Higher Education Commission; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Injured Workers' Insurance Fund; Independent College and University Association; Comptroller's Office; Judiciary (Administrative Office of the Courts); Department of Juvenile Services; Department of Labor, Licensing, and Regulation; Mercer Human Resources Consulting; Maryland Association of Counties; Maryland Energy Administration; Maryland Municipal League; Department of State Police; Morgan State University; Maryland State Retirement Agency; Department of Public Safety and Correctional Services; Public School Construction Program; Subsequent Injury Fund; St. Mary's College; Maryland Department of Transportation; Maryland State Treasurer's Office; Uninsured Employers' Fund; University System of Maryland; University of Maryland Medical System; Workers' Compensation Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2011
ncs/rhh Revised - Enrolled Bill - June 23, 2011
Revised - Clarification - July 26, 2011

Analysis Coordinated by: Mark W. Collins and Lesley G. Cook

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix A
Table of Contents

Redirection of Dedicated Revenues

Federal Medicare Part D Employer Reimbursement Subsidy 12
Transportation Trust Fund and General Fund Revenue Distributions 14
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund 18
Special Fund Interest 21
Special Fund for the Preservation of Cultural Arts 22
Telecommunications Recoveries 24
Department of State Police Helicopters 25

Fund Balance Transfers

Transfer Tax Special Fund 27
Maryland Health Care Commission Fund 31
State Used Tire Cleanup and Recycling Fund 32
Forest or Park Reserve Fund 33
Maryland Not-For-Profit Development Center Program Fund 34
State Board of Veterinary Medical Examiners Fund 35
Bay Restoration Fund 36
Circuit Court Real Property Records Improvement Fund 38
Voluntary Separation Program Special Fund Transfers 40
Maryland Automobile Insurance Fund Transfer 41
Electricity and Personnel Savings Fund Transfer 42
Baltimore City Community College Fund Balance 43
Special Loan Programs Fund 44
Neighborhood Business Development Fund 45
State Insurance Trust Fund 46
Homeownership Programs Fund 47
Waterway Improvement Fund 48
Spinal Cord Injury Research Trust Fund 50
State Health Occupations Boards 51

Revenue Enhancements

Sales Tax Vendor Discount Cap 52
Motor Vehicle Administration – Verification of Tax Payments and Unemployment Insurance Contributions for Drivers' Licenses and Vehicle Registrations 53
Injured Workers' Insurance Fund 56
Birth Certificate Fees 58
Parole and Probation Supervision Fee 60
Transportation Fees 62

Fund Swaps and Cost Shifts
Senior Prescription Drug Assistance Program and the Kidney Disease Program 65
Medicaid Hospital Assessments 68
Education Jobs Fund Savings 71
State Department of Assessments and Taxation – Local Reimbursement for Property Valuation Expenditures 72
State Retirement Agency Administrative Charge 74
Nursing Home Quality Assessment 76
Aging Schools Program 78
County Reimbursement for Nonpublic Placements of Children in State Care 80
Forest and Park Payments to Counties in Lieu of Taxes 82
9-1-1 Trust Fund and State Police Information Technology Project 85
Maryland Heritage Areas Authority 87
Strategic Energy Investment Fund 89
Traffic Conviction Surcharges – Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program 93
Fees for Academic Program Reviews 96
Payroll Attachment Fee 98

Cost Control Measures
State Employees and Retirees
State Retirement and Pension System 99
State Employee Merit Increases 104
Retiree Prescription Drug Plan 106
Retiree Eligibility for State Health Benefits 108
Rates for Nonpublic Placements and Residential Child Care Group Homes 110

General Fund Mandate Relief
Per Pupil Foundation Amount 112
Library Aid 115
Statewide and Health Manpower Grant Program 117
Distinguished Scholar Program 119
Higher Education Formulas
Senator John A. Cade Formula for Local Community College Aid 120
Joseph A. Sellinger Formula for Independent Colleges and Universities 121
Baltimore City Community College 123
Maryland Agricultural and Resource-Based Industry Development Corporation 124

Cost Deferrals and Extensions
Study of the Adequacy of Education Funding 126
InterCounty Connector Funding 127
State Board of Elections Online Campaign Finance Reporting System 129

Local Aid and Revenue Enhancements
Cap on Decreases in Direct Education Aid 130
Disparity Grants 132
Guaranteed Tax Base Program 134
Food Service Facility License Fees 136

Redirected Spending
Racetrack Facility Renewal Account 138
Speed Monitoring Systems – Department of State Police Motor Vehicles 140
Program Open Space Administration 141
Retention Bonus Exemption for Facilities to be Closed 142

Budget Transparency and Policy
Need-based Student Financial Assistance Fund 143
Maryland Environmental Service Project Reserve Accounts 144
Planning and Implementation Programs for Major Information Technology Projects 145
Developmental Disabilities Administration 146

Reporting Requirements
Compensation Commission Reports 147
State Retirement and Pension System Reports 149

Clarifications
Maryland Transit Administration – Farebox Recovery and Maglev 150
Local Maintenance of Effort for Public Schools
Local Maintenance of Effort for Education Penalty 152
Local School System Budget Process 154
Collective Bargaining Contracts 156

Federal Medicare Part D Employer Reimbursement Subsidy

Provisions in the Bill: Redirect the federal Medicare Part D employer reimbursement subsidy to the general fund beginning in fiscal 2011. Under current law, these funds are deposited in the State Employee Health and Welfare Benefits Fund in fiscal 2011 and 2012 and in the Postretirement Health Benefits Trust Fund in fiscal 2013 and future years.

Agency: Department of Budget and Management

Type of Action: Dedicated revenue relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$23.0	$24.0	$25.4	$27.0	$28.6	$30.3
SF Rev	(23.0)	0	(25.4)	(27.0)	(28.6)	(30.3)
GF Exp	0	14.4	0	0	0	0
SF Exp	0	4.8	0	0	0	0
FF Exp	0	4.8	0	0	0	0

State Effect: General fund revenues increase by $23.0 million in fiscal 2011, coupled with an equivalent reduction in special fund revenues. The loss of special fund revenues will be addressed through the use of the fund balance in the State Employee Health and Welfare Benefits Fund, which will be depleted at the end of fiscal 2011.

In fiscal 2012, general fund revenues increase by $24.0 million. The redirection of these funds out of the State Employee Health and Welfare Benefits Fund means that agency appropriations for retiree health expenses will need to increase by an equal amount in order to restore revenues to the fund. The increased spending will be made up of general ($14.4 million), special ($4.8 million), and federal ($4.8 million) funds.

In fiscal 2013, general fund revenues increase by an estimated $25.4 million, and special fund revenues for the Postretirement Health Benefits Trust Fund decrease by the same amount. Future year estimates assume a 6% annual growth rate, which reflects projected increases in retiree prescription drug costs.

Program Description: The State Employee Health and Welfare Benefits Fund holds State subsidies to employee and retiree health care coverage plans, as well as the required employee and retiree contributions to the plans. Chapter 466 of 2004 established the Postretirement Health Benefits Trust Fund to assist the State in financing the postretirement health insurance subsidy paid by the State.

Recent History: Beginning in fiscal 2006, any subsidy received by the State that was provided to employers as a result of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 or other similar federal subsidy was to be deposited into the Postretirement Health Benefits Trust Fund. However, the Budget Reconciliation and Financing Act of 2005 (Chapter 444) diverted the Medicare Part D subsidy from the fund to pay for employee and retiree health premiums in fiscal 2006 and 2007. Chapter 355 of 2007 restored proceeds from the federal subsidy to the Postretirement Health Benefits Trust Fund beginning in fiscal 2008. The Budget Reconciliation and Financing Act of 2009 (Chapter 484), however, again redirected these revenues, requiring the funds to be deposited in the State Employee Health and Welfare Benefits Fund from fiscal 2010 to 2012.

Location of Provision(s) in the Bill: Sections 1 and 7 (pp. 64-65, 102, and 133)

Analysis prepared by: Dylan R. Baker

Transportation Trust Fund and General Fund Revenue Distributions

Provisions in the Bill: Realign revenues between the general fund and the Transportation Trust Fund (TTF) by ending the distribution of sales tax to TTF and the distribution of Highway User Revenues (HUR) to the general fund. To allow for the revenue reconciliation, the bill implements the actions described below.

- Beginning in fiscal 2012, the TTF share of the sales tax is permanently credited to the general fund.
- Beginning in fiscal 2013, the TTF share of the corporate income tax is lowered.
- In fiscal 2012, $40.0 million is transferred from the State share of TTF to the Rainy Day Fund.
- The ongoing distribution of HUR to the general fund is reduced in fiscal 2012 and is entirely credited to TTF starting in fiscal 2013. As a result, the Maryland Department of Transportation (MDOT) share of HUR increases to 90% in fiscal 2013 and remains at 90.4% thereafter. **Exhibit 5** provides a summary of the distribution of HUR from fiscal 2012 to 2014.

Exhibit 5
Highway User Revenue Distribution
Fiscal 2012-2014
($ in Millions)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Percent	**Dollars**	**Percent**	**Dollars**	**Percent**	**Dollars**
MDOT	79.8%	$1,322.9	90.0%	$1,473.3	90.4%	$1,618.2
General Fund	11.3%	187.3				
Baltimore City	7.5%	124.3	8.1%	132.6	7.7%	137.8
Counties	0.8%	13.3	1.5%	24.6	1.5%	26.9
Municipalities	0.6%	9.9	0.4%	6.5	0.4%	7.2
Total	**100.0%**	**$1,657.7**	**100.0%**	**$1,637.0**	**100.0%**	**$1,790.1**

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

The bill also:

- increases the local share of HUR for fiscal 2012 only; and
- prohibits, beginning July 1, 2012, the transfer of State TTF revenues to the general fund unless legislation provides for repayment of the funds within five years.

The bill's changes to the distribution of revenues from the corporate income tax and the sales and use tax do not apply until any Consolidated Transportation Bonds that were issued by MDOT before July 1, 2011, no longer remain outstanding and unpaid. However, the bill also makes an exception if sufficient funds are appropriated for debt service payments on the bonds that allows for the altered distribution of revenues.

Agencies: Maryland Department of Transportation; Comptroller

Type of Action: Dedicated revenue relief; fund swap

Fiscal			*($in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$61.0	$0	($26.0)	($25.0)	($21.0)
SF Rev	0	(61.0)	0	26.0	25.0	21.0
GF Exp	0	(40.0)	0	0	0	0

State Effect: General fund revenues increase by an estimated $61.0 million in fiscal 2012 due to the changes in the distribution of HUR and sales tax revenue and TTF revenues decrease by an equivalent amount. There is no net impact on either the general fund or TTF in fiscal 2013. General fund revenues decrease by an estimated $26.0 million, $25.0 million, and $21.0 million from fiscal 2014 to 2016, respectively, due to the changes in the distribution of revenue; TTF revenues increase correspondingly.

As a result of the transfer from TTF to the Rainy Day Fund, general fund expenditures decrease by an estimated $40.0 million in fiscal 2012; it is assumed that, in the absence of this provision, general funds would be used to maintain a balance of 5.0% of estimated general fund revenues in that account. The $40.0 million transfer is offset by separate provisions in this bill that increase various TTF fees.

MDOT's share of TTF revenues is reduced by $13.3 million in fiscal 2012 to allow for a $13.3 million increase in the local share of HUR; however, MDOT's share of TTF revenues increases as result of other provisions in this bill that increase various TTF fees.

It is assumed the bill's changes to the distribution of revenues take effect, as there is sufficient funding in the fiscal 2012 State budget and thereafter for MDOT to pay the debt service on its bonds.

Local Effect: The local share of HUR increases by $13.3 million for fiscal 2012 only ($5.0 million for the counties and $8.3 million for municipalities). In fiscal 2013 and beyond, local jurisdictions receive slightly more than under current law as part of the reconciliation of TTF and general fund revenues. **Appendix C3** shows the fiscal 2012 distribution to the counties and municipalities.

Program Description: MDOT is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including the construction and maintenance of State roads, regulation and licensing of drivers and vehicles, and operation of bus and rail transit services. In addition, MDOT owns and operates Martin State Airport, Baltimore/Washington International Thurgood Marshall Airport, and terminals in the Helen Delich Bentley Port of Baltimore.

The Revenue Stabilization Account (also known as the Rainy Day Fund) was established in 1986 to retain State revenues to meet future needs and to reduce the need for future tax increases by moderating revenue growth. The account consists of direct appropriations in the budget bill and interest earned from all State reserve fund accounts. Although State law requires a minimum balance of 7.5% of estimated general fund revenues, the Governor is authorized to transfer funds from the account to the general fund as necessary to support the operation of State government on a temporary basis if the transfer (1) does not result in an account balance below 5.0% of the estimated general fund revenues for the fiscal year in which the transfer is made; and (2) is authorized by either an Act of the General Assembly or the State budget bill as enacted. Credit rating agencies recommend that states maintain a 5.0% fund balance.

Recent History: Previously, Gasoline and Motor Vehicle Revenue Account revenues, otherwise known as HUR, had been distributed to MDOT (70%) and local jurisdictions (30%). The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced the local share of HUR by $161.9 million in fiscal 2010 and $101.9 million in fiscal 2011 and transferred that revenue to the general fund. The Budget and Reconciliation Act of 2010 (Chapter 484) further altered the allocations to provide for an ongoing distribution of revenues from the local share of HUR to the general fund. Under Chapter 484, for fiscal 2012, HUR would have been distributed as follows: (1) 20.4% to the general fund; (2) 71.5% to TTF; and (3) the balance to the counties, municipalities, and Baltimore City.

As a result of legislation passed during the 2007 special session, TTF began to receive 6.5% of the general sales tax revenue. Subsequently, during the 2008 session when the computer services sales tax was repealed, the sales tax distribution to TTF was reduced to 5.3% through fiscal 2014 and 6.5% thereafter.

Currently, MDOT receives 24% of the first 7.0% of the corporate income tax, with the general fund receiving the balance. TTF did not receive any of the additional revenue generated from the increase in the corporate income tax rate passed during the 2007 special session.

Location of Provision(s) in the Bill: Sections 1, 31, and 36 (pp. 107-108, 110, 114, 118-120, 142-143, and 144)

Analysis prepared by: Jonathan D. Martin

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provisions in the Bill: Redirect specified amounts of the revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals from the 2010 trust fund to the general fund in fiscal 2012 through 2016, as shown in **Exhibit 6**. The bill also transfers $970,000 from the 2010 trust fund to the general fund in fiscal 2011.

Exhibit 6
Proposed Revenue Transfers from the 2010 Trust Fund to the General Fund
Fiscal 2012-2016

Fiscal	Motor Fuel Tax	Short-term Vehicle Rentals Sales and Use Tax	Total
2012	$5,000,000	$15,169,444	$20,169,444
2013	5,000,000	10,076,582	15,076,582
2014	5,000,000	6,535,845	11,535,845
2015	5,000,000	3,049,199	8,049,199
2016	4,624,687	0	4,624,687

Source: Department of Legislative Services

Agency: Department of Natural Resources

Type of Action: Dedicated revenue relief; fund balance transfer

Fiscal Impact:	($ in millions) FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$1.0	$20.2	$15.1	$11.5	$8.0	$4.6
SF Rev	0	(20.2)	(15.1)	(11.5)	(8.0)	(4.6)
SF Exp	0	(20.2)	(15.1)	(11.5)	(8.0)	(4.6)

State Effect: General fund revenues increase by $970,000 in fiscal 2011 due to the fund balance transfer. After the transfer, the fund balance is estimated to total $0.5 million at the end of fiscal 2011.

General fund revenues increase by $20.2 million in fiscal 2012, with a corresponding decrease in special fund revenues and expenditures, due to the redirection of revenues beginning in fiscal 2012. The fiscal 2012 State budget includes $43.7 million for the trust fund in the Department of Natural Resources' budget, but that amount is reduced by $20.2 million contingent on the enactment of legislation to allocate the trust fund revenues to the general fund. Accordingly, the trust fund receives an estimated $23.5 million in fiscal 2012.

Future years reflect ongoing redirection of revenues through fiscal 2016. Based on current revenue estimates, the estimated amount of funding provided to the trust fund in the out-years is as follows: (1) $30.0 million in fiscal 2013; (2) $35.0 million in fiscal 2014; (3) $40.0 million in fiscal 2015; and (4) $45.0 million in fiscal 2016.

Local Effect: Local government revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund decrease due to the reduction in funding for the program. Although the amount provided to local governments varies each year depending on which projects are funded, from fiscal 2009 through 2011, local governments received a total of $9.5 million, or about 24.7% of the total amount appropriated to the trust fund over the three-year period ($38.4 million). *For illustrative purposes*, assuming local governments would have received between 20.0% and 25.0% of the proposed transfer in the absence of the bill, local revenues decrease by an estimated $4.0 million to $5.0 million in fiscal 2012.

Examples of the types of projects funded at the local level include stormwater and watershed restoration projects. In addition to providing funds directly to local governments, the trust fund provides funds to nonprofit organizations and others to implement these types of projects at the local level.

Program Description: Chapter 6 of the 2007 special session established the Chesapeake Bay 2010 Trust Fund and provided financing for the fund by dedicating a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals to the trust fund. The trust fund was expanded and renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund by Chapters 120 and 121 of 2008, which, among other things, required that the trust fund be used for nonpoint source pollution control projects. The BayStat Subcabinet administers the trust fund.

Recent History: The trust fund was originally anticipated to receive an estimated $50.0 million in annual revenues, but revenues have declined due to the sluggish economy (to $38.2 million in fiscal 2009, $41.5 million in fiscal 2010, and an estimated $42.4 million in fiscal 2011). In addition, recent budget reconciliation legislation redirected funds from the trust fund to the general fund, as shown in **Exhibit 7**. The trust fund received $9.6 million, $8.8 million, and $20.0 million in the fiscal 2009 through 2011 State budgets, respectively.

Exhibit 7
2010 Trust Fund Transfers to the General Fund
Fiscal 2009-2011
($ in Millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Transfers to General Fund			
Chapter 414 of 2008	$25.0		
Chapter 487 of 2009		$21.5	
Chapter 484 of 2010		10.5 *	$22.1
Total Transfers	**$25.0**	**$32.0**	**$22.1**

*Included $8.0 million in fiscal 2010 revenues and $2.5 million in fund balance.

Source: Department of Legislative Services

Location of Provisions in the Bill: Sections 1, 4, and 35 (pp. 108-110, 130, and 144)

Analysis prepared by: Lesley G. Cook

Special Fund Interest

Provision in the Bill: Credits all interest earned on special funds of the State to the general fund except for special funds and accounts that are specifically identified and exempted from the requirement or where doing so would be inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement.

Agencies: Multiple

Type of Action: Dedicated revenue relief

Fiscal Impact:	*($ in millionsollions)*					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$7.0	$7.0	$7.0	$7.0	$7.0
SF Rev	0	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)

State Effect: General fund revenues increase by an estimated $7.0 million annually beginning in fiscal 2012 due to the crediting of special fund interest to the general fund. Special fund revenues decrease by equal amounts due to the loss of interest that would normally accrue to the individual funds and accounts. Special fund interest is already being credited to the general fund in fiscal 2011.

Program Description: Approximately 200 State accounts accrue interest, and approximately 70 of these accounts are not exempted from this provision. In the first 11 months of fiscal 2011 (through May 2011), interest on the nonexempted accounts totaled approximately $6.9 million.

Recent History: A similar provision in the Budget Reconciliation and Financing Act of 2010 (Chapter 484) captures special fund interest for the general fund for fiscal 2010 and 2011 only.

Location of Provision(s) in the Bill: Section 1 (pp. 53-57)

Analysis prepared by: Steven D. McCulloch

Special Fund for the Preservation of Cultural Arts

Provision in the Bill: Requires, for fiscal 2012 only, that $500,000 derived from the admissions and amusement tax imposed on electronic bingo and tip jar machines be distributed to the Special Fund for the Preservation of Cultural Arts in Maryland and the balance be distributed to the general fund. The bill also limits, for fiscal 2012 only, the use of the fund as follows: (1) $150,000 as an appropriation to the State Archives to be used only for the operating costs associated with the development and implementation of the State House Master Plan; (2) $50,000 as a grant to be paid by the Comptroller to the Maryland Humanities Council; and (3) $300,000 in impact grants to be paid in the local jurisdictions where the electronic bingo machines or electronic tip jar machines are located ($150,000 in Anne Arundel County and $150,000 in Calvert County, for purposes specified in the bill).

Agency: Department of Business and Economic Development

Type of Action: Dedicated revenue relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$3.7	$0	$0	$0	$0
SF Rev	0	(3.7)	0	0	0	0

State Effect: General fund revenues increase by $3.7 million in fiscal 2012 with a corresponding decrease in revenues for the Special Fund for the Preservation of Cultural Arts in Maryland. Future years are not affected.

Local Effect: In fiscal 2012, the bill directs $150,000 to the Anne Arundel County Volunteer Firefighters Association in Anne Arundel County for capital expenditures and replacement of equipment; and $150,000 in Calvert County as follows: (1) $125,000 to the Town of Chesapeake Beach and the Town of North Beach, to be used only for one-time capital expenditures; and (2) $25,000 to the Beach Trolley Association of Chesapeake Beach and North Beach.

Program Description: The Special Fund for Preservation of Cultural Arts in Maryland is a special, nonlapsing fund in the Department of Business and Economic Development that consists of State admissions and amusement tax revenue and any other money accepted for the benefit of the fund. The fund is used to provide emergency grants and it may be used only for preventing the closure, termination, or financial distress of cultural arts organizations, including museums, or similar entities in the State.

Recent History: Chapter 661 of 2009 increased the State admissions and amusement tax rate on the net proceeds from electronic bingo and tip jar machines from 20% to 30%. Chapter 661 required that the revenue attributable to the tax rate of 20% be distributed to the general fund, while the revenue attributable to the rate increase be distributed to the Special Fund for the Preservation of Cultural Arts in Maryland. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) altered the distribution of the tax revenues to provide greater support for the general fund in fiscal 2010 and 2011. In addition, $500,000 was placed in a special fund to provide impact aid to local jurisdictions where electronic bingo machines or tip jar machines are located, leaving $500,000 for the preservation of the cultural arts in fiscal 2011.

Location of Provision in the Bill: Section 1 (pp. 105-107)

Analysis prepared by: Jody J. Sprinkle

Telecommunications Recoveries

Provision in the Bill: Redirects commissions, rebates, refunds, rate reductions, or telecommunications bypass agreements resulting from information technology services or purchases from the Major Information Technology Development Project Fund (MITDPF) to the general fund.

Agency: Department of Information Technology

Type of Action: Dedicated revenue relief

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$0	increase	increase	increase	increase
SF Rev	0	0	decrease	decrease	decrease	decrease

State Effect: Under current law, telecommunications recoveries are deposited in the general fund in fiscal 2011 and 2012 and in MITDPF in fiscal 2013 and future years. This provision makes the redirection of these revenues permanent so that all subsequent telecommunications recoveries will be deposited into the general fund instead of MITDPF. However, the amount of any recoveries cannot be reliably estimated at this time.

Program Description: The State is currently litigating three telecommunications cases totaling nearly $19 million in claims that it hopes to recover. The Department of Information Technology (DoIT) advises that these cases are currently with the Maryland State Board of Contract Appeals. The Attorney General's Office notes that these cases are likely to be appealed to the circuit court and could also be appealed to the Court of Special Appeals and Court of Appeals. The cases usually take years to resolve, so it is unlikely that any revenues will be received in fiscal 2011 or 2012. It is also unclear how much the State will receive should it ultimately prevail in the cases.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) requires that all money received from May 1, 2010, through June 30, 2010, and for each of fiscal 2011 and 2012, as commissions, rebates, refunds, rate reductions, or telecommunications bypass agreements resulting from information technology services or purchases be deposited in the general fund instead of MITDPF. Prior to May 1, 2010, the funds were credited to MITDPF.

Location of Provision(s) in the Bill: Section 1 (pp. 52-53)

Analysis prepared by: Patrick S. Frank

Department of State Police Helicopters

Provision in the Bill: Requires that the proceeds derived from the sale of the existing helicopter fleet and related equipment be deposited into the Annuity Bond Fund for the payment of the State's debt service.

Agencies: Department of State Police; Maryland Department of Transportation

Type of Action: Redirected revenues

Fiscal Impact: Overall special fund finances are not affected, as described below.

State Effect: Transportation Trust Fund (TTF) revenues decrease by $2.6 million in fiscal 2012, with a corresponding increase in Annuity Bond Fund revenues.

Based on the current plan to sell the existing fleet of 11 helicopters and the pro rata share of the fund types originally used to purchase the fleet, it is estimated that in the absence of this bill, $2.6 million from the sale of the fleet would have been deposited into TTF in fiscal 2012. Under this bill, that amount is redirected to the Annuity Bond Fund instead.

Under current law, if a capital asset was originally purchased with special funds, and if cash is received as consideration for the disposition of that asset, the proceeds derived from the sale must be applied to the special fund. Otherwise, proceeds are paid into the Annuity Bond Fund for the payment of the State's debt service.

It is estimated that, on average, the State will receive $2.0 million per aircraft from the sale of the existing fleet, or $22.0 million total. However, an estimated $19.4 million of that amount is already directed to the Annuity Bond Fund under current law.

The State purchased the existing fleet of 11 helicopters with multiple fund sources, including the defunct Emergency Medical Service System Fund, the Maryland Emergency Medical System Operations Fund (MEMSOF), TTF, and general funds. General funds were used to replace the funding borrowed from MEMSOF; thus, it is assumed that under current law, that share of the proceeds is already directed to the Annuity Bond Fund. TTF was not repaid for its original contribution; thus, under current law, the $2.6 million would be directed to TTF, but under this bill, all of the proceeds will go to the Annuity Bond Fund instead.

Program Description: Emergency medical evacuation (Medevac) operations began in Maryland in 1970 with a limited fleet of single engine Bell "Jet Ranger" helicopters. A crash involving one of these helicopters in 1986 prompted a review and ultimately the recommendation to upgrade and expand the fleet. The first of Maryland State Police

Aviation Command's (MSPAC) current fleet was purchased in 1989. For almost 10 years, MSPAC operated with a fleet of 12 Eurocopter Dauphin and 2 fixed winged aircraft. As a result of the September 2008 helicopter accident, MSPAC now operates with 11 helicopters.

Over time, MSPAC's mission has evolved to primarily include medical evacuations; search and rescue; law enforcement; homeland security; and most recently, support to the Department of Natural Resources for law enforcement, search and rescue missions, and aerial surveillance.

Recent History: The fiscal 2010 capital budget included $52.5 million in general obligation (GO) bonds to begin the initial purchase of Medevac helicopters, and the fiscal 2012 capital budget authorizes $22.7 million in fiscal 2012 for the procurement of new helicopters. In addition to this funding, the fiscal 2012 capital budget preauthorizes $70.1 million through fiscal 2015 for a total authorization of $145.3 million to purchase 11 helicopters.

Location of Provision(s) in the Bill: Section 1 (p. 57)

Analysis prepared by: Chantelle M. Green

Transfer Tax Special Fund

Provisions in the Bill: Authorize the transfer of $5,591,172 in transfer tax revenues to the general fund in fiscal 2011 and the transfer of $94,491,115 in transfer tax revenues to the general fund in fiscal 2012. The transfers may not be taken into account for purposes of determining any allocation or appropriation of State transfer tax revenues under Tax-Property Article §§ 13-209(f) or (g).

Agencies: Department of Natural Resources; Maryland Department of Agriculture

Type of Action: Fund balance transfers

Fiscal Impact:	***($ in millions)*** **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$5.6	$94.5	$0	$0	$0	$0
SF Exp	0	(94.5)	0	0	0	0

State Effect: General fund revenues increase by $5.6 million in fiscal 2011 and by $94.5 million in fiscal 2012 due to the transfers.

The bill stipulates that Tax-Property Article §§ 13-209(f) or (g) do not apply to the transfers authorized by this provision. Exempting the transfers from these statutory provisions allows the funds to be transferred without future repayment to the affected programs. Instead, although not required by this bill, the transferred funds are partially replaced over a three-year period (fiscal 2012 through 2014), as provided in the fiscal 2012 capital budget, which includes preauthorization language for the replacement of funds planned for fiscal 2013 and 2014.

The transfers and the replacement schedule are shown by agency in **Exhibit 8**. The transfers include:

- Department of Natural Resources: Program Open Space (POS) State share, $21.6 million; POS local share, $20.8 million; POS capital improvements, $10.1 million; and Rural Legacy, $13.8 million;
- the Maryland Agricultural Land Preservation Foundation (MALPF) within the Maryland Department of Agriculture (MDA), $19.6 million; and
- $8.6 million in over-attainment of revenues from fiscal 2010.

Exhibit 8
Fiscal 2012 Transfers and Replacement Schedule by Agency
($ in Millions)

	MDA	DNR	Total
FY 2012 Transfer	**$19.56**	**$66.31**	**$85.87**
FY 2012 GO Bond Replacement	4.37	16.54	20.91
FY 2013 GO Bond Replacement	6.52	21.57	28.09
FY 2014 GO Bond Replacement	6.52	18.73	25.25
FY 2012-2014 Total Replacement	**$17.41**	**$56.84**	**$74.25**

Note: The total amount of fiscal 2012-2014 GO bond replacement reflected for MDA is $2.15 million less than the transferred amount. This adjustment is made to account for the over-authorization of GO bond replacement funds authorized in the fiscal 2011 capital budget bill for transfers authorized in the Budget Reconciliation and Financing Act (BRFA) of 2010 (Chapter 484). The total amount of fiscal 2012-2014 GO bond replacement reflected for DNR is $9.48 million less than the transferred amount. This reflects the deletion of $4.59 million in fiscal 2012 Rural Legacy Program replacement funding in fiscal 2012; also, an adjustment was made to account for the over-authorization of GO bond replacement funds authorized in the fiscal 2011 capital budget bill for transfers authorized in the 2010 BRFA in the amount of $2.51 million and another $2.37 million that is not proposed to be replaced for DNR Natural Resources Development and Critical Maintenance Program projects where the funds authorized exceeded the total project costs.

Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

It is assumed that, without the transfer, special funds rather than general obligation (GO) bonds would have been used to support the programs in fiscal 2012. Thus, special fund expenditures decrease by $94.5 million in fiscal 2012.

Local Effect: Local governments receive grants for land acquisition, the development of park and recreational facilities, and the purchase of easements funded through the local share of POS, Rural Legacy, and MALPF. Under this bill, a total of $54.2 million is transferred from these programs (including $20.8 million in funds from the POS local share); however, those funds are programmed to be partially replaced from fiscal 2012 through 2014 with GO bond funds as provided in the fiscal 2012 capital budget (including preauthorizations for fiscal 2013 and 2014). The fiscal 2012 capital budget as enacted provides for partial replacement of the funding that otherwise would have been provided to local governments in fiscal 2012 over a three-year period, including full replacement of the POS local funding transferred by the bill. The fiscal 2012 reduction by county resulting from the $20.8 million transfer from the POS local share is shown in **Appendix C2**.

Program Description: 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 land conservation programs in DNR and MDA. First, transfer tax revenues for debt service on POS Acquisition Opportunity Loan of 2009 GO bond authorizations are credited to the Annuity Bond Fund. Second, before any program-specific allocations are made, 3% of the transfer tax is distributed to DNR and the other agencies involved in POS for their administration of the program. Third, approximately 76% of the remaining transfer tax historically has been allocated to POS, which has three main components: a State share, local share, and Maryland Park Service operations share. All other funds are allocated to the Rural Legacy Program, MALPF, and the Heritage Conservation Fund pursuant to statute.

Recent History: State transfer tax revenue and unexpended balances have been redirected and transferred to the general fund in recent years pursuant to budget reconciliation legislation. As shown in **Exhibit 9**, from fiscal 2006 through 2011, a total of $469.0 million in transfer tax revenue and fund balances has been redirected, of which $364.9 million has been or is scheduled to be replaced through fiscal 2013 pursuant to current law.

Exhibit 9
Transfer Tax Transferred to the General Fund and Replacement Schedule under Current Law, Reflecting Actions Taken through the 2010 Session
Fiscal 2006-2013
($ in Millions)

Fiscal Year	Transfers	Replacement
2006	$90.0	$0.0
2007	0.0	0.0
2008	0.0	0.0
2009	136.5	0.0
2010	188.5	172.3
2011	54.0	119.9
2012 Est.	0.0	40.4
2013 Est.	0.0	32.3
Total	**$469.0**	**$364.9**

Note: This exhibit reflects all $70.0 million of POS Acquisition Opportunity Loan of 2009 funding in fiscal 2010, since that is when the GO bonds were issued. In addition, the exhibit reflects all actions taken up to and including the 2010 session; thus, transfers and replacements authorized in the BRFA of 2010 and the fiscal 2011 capital budget, including preauthorizations of GO bonds in fiscal 2012 and 2013, are shown. Transfers proposed in this bill and additional replacement of funds planned in the *Capital Improvement Program* are not included.

Tax-Property Article § 13-209 requires the repayment of State transfer tax revenue transferred to the general fund after fiscal 2005 with any unappropriated general fund surplus over $10 million; beginning in fiscal 2012, the Governor is required to include in the annual budget bill at least the lesser of $50 million or the excess surplus over $10 million to repay those transfers. To date, the only transfer subject to those provisions is the fiscal 2006 transfer of $90 million. In developing the proposed fiscal 2012 State budget, however, the Governor exercised the general mandate relief authority provided in the BRFA of 2010 and did not include the $50 million repayment expected in fiscal 2012 in the proposed fiscal 2012 State budget. Thus, the repayment of that $90 million is not reflected in this exhibit.

Source: Department of Legislative Services

Location of Provision(s) in the Bill: Sections 8 and 9 (p. 133)

Analysis prepared by: Matthew Klein and Andrew D. Gray

Maryland Health Care Commission Fund

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Maryland Health Care Commission Fund to the general fund in fiscal 2011.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$1.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.0 million in fiscal 2011 due to the transfer. Future years are not affected. Following the transfer, the remaining fund balance for the Maryland Health Care Commission Fund will be an estimated $1.0 million.

Program Description: The Maryland Health Care Commission is an independent commission within the Department of Health and Mental Hygiene with the purpose of improving access to affordable health care; reporting information relevant to the availability, cost, and quality of health care statewide; and developing benefits for the small group health insurance market. The Maryland Health Care Commission Fund consists of user fees assessed on health care payors, hospitals, nursing homes, and practitioners.

Recent History: Budget reconciliation legislation in the past two legislative sessions has authorized the transfer of funds from the Maryland Health Care Commission Fund to the general fund. Chapter 484 of 2010 authorized the transfer of $472,026 in fiscal 2010, and Chapter 487 of 2009 authorized the transfer of $2.0 million in fiscal 2009.

Location of Provision(s) in the Bill: Section 4 (p. 130)

Analysis prepared by: Katie K. Wunderlich

State Used Tire Cleanup and Recycling Fund

Provision in the Bill: Authorizes the transfer of $750,000 from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2011.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$750,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $750,000 in fiscal 2011 due to the transfer. Future years are not affected. The State Used Tire Cleanup and Recycling Fund will be left with a projected $3.0 million fund balance at the end of fiscal 2011.

Program Description: The State Used Tire Cleanup and Recycling Fund provides funds to respond to illegal disposal or storage of scrap tires. The fund is supported with a fee of $0.80 on each new tire sold in the State, and the fund balance is capped at $10.0 million. Estimated fiscal 2011 revenue from the fee is $3.4 million.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $1.1 million from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2010. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of $3.0 million from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2009 and authorized, beginning in fiscal 2010, the use of up to 50% of the revenues generated for the fund for administrative expenses of the Maryland Department of the Environment.

Location of Provision(s) in the Bill: Section 4 (p. 130)

Analysis prepared by: Evan M. Isaacson

Forest or Park Reserve Fund

Provision in the Bill: Authorizes the transfer of $256,000 from the Forest or Park Reserve Fund to the general fund in fiscal 2011.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$256,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $256,000 in fiscal 2011 due to the transfer. Future years are not affected. The Forest or Park Reserve Fund will be left with a projected $4.5 million fund balance at the end of fiscal 2011.

Program Description: The Forest or Park Reserve Fund is administered by the Department of Natural Resources (DNR) and is used to purchase and manage State lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. The fund, which consists of all revenues derived from State forests, parks, and other specified lands, may only be used for purchasing and managing those lands; helping to offset the costs of developing and implementing a forest health emergency contingency program; specified payments to counties; and administrative costs. Fiscal 2011 revenue to the fund is anticipated to total approximately $14.0 million.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) prohibited DNR from making county payments from the fund related to park revenues for fiscal 2010 and 2011 only. Another provision in this bill eliminates county payments from park earnings from this fund for fiscal 2012 and 2013 (Section 1, pp. 48-49).

Location of Provision(s) in the Bill: Section 4 (p. 130)

Analysis prepared by: Andrew D. Gray

Maryland Not-For-Profit Development Center Program Fund

Provisions in the Bill: Authorize transfers from the Maryland Not-For-Profit Development Center Program Fund to the general fund of $250,000 in fiscal 2011 and $125,000 in fiscal 2012.

Agency: Department of Business and Economic Development

Type of Action: Fund balance transfers

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$250,000	$125,000	$0	$0	$0	$0
SF Exp	0	(125,000)	0	0	0	0

State Effect: General fund revenues increase by $250,000 in fiscal 2011 and by $125,000 in fiscal 2012 due to the transfers. The fiscal 2012 State budget includes $125,000 in special funds for the fund, but that appropriation is reduced by $125,000 contingent on the enactment of legislation authorizing the transfer of funds to the general fund. Thus, special fund expenditures decrease by $125,000 in fiscal 2012. Future years are not affected. The Maryland Not-For-Profit Development Center Program Fund will essentially be depleted by the end of fiscal 2012.

Program Description: The Maryland Not-For-Profit Development Center Program is charged with assisting the economic growth and revitalization of nonprofit entities in the State by providing grants for training and technical assistance services. Specific types of assistance include individual consultation and technical assistance to any nonprofit entity that requests the service, training, and the operation of a technical information and data exchange. Funds to support the program are derived from a surcharge on incorporation fees charged to nonprofit entities, which generates about $110,000 annually.

Recent History: Chapter 313 of 2008 created the Maryland Not-For-Profit Development Center Program and provided a revenue source for the program. The program has not yet provided any support to nonprofit entities.

Location of Provision(s) in the Bill: Sections 4 and 5 (pp. 130 and 131)

Analysis prepared by: Jody J. Sprinkle

State Board of Veterinary Medical Examiners Fund

Provision in the Bill: Authorizes the transfer of $150,000 from the State Board of Veterinary Medical Examiners Fund to the general fund in fiscal 2011.

Agency: Maryland Department of Agriculture (State Board of Veterinary Medical Examiners)

Type of Action: Fund balance transfer

Fiscal	*(in dollars)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$150,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $150,000 in fiscal 2011 due to the transfer. Future years are not affected. Following the transfer, the fund balance is expected to be approximately $43,000 at the end of fiscal 2011.

The State Board of Veterinary Medical Examiners' (SBVME) operating expenses have been gradually increasing in recent years, while special fund revenues collected and deposited in the State Board of Veterinary Medical Examiners Fund have been relatively steady. Since fiscal 2009, the board's operating expenses have been greater than its revenues, causing the fund balance of the State Board of Veterinary Medical Examiners Fund to be spent down to cover expenses. An eventual increase in fees charged by the board is expected once the existing fund balance has been depleted. The bill's transfer of $150,000 to the general fund will likely result in the need for the board to increase its fees earlier than it otherwise would, possibly in fiscal 2012.

Program Description: The State Board of Veterinary Medical Examiners Fund holds revenue generated from license, registration, and other fees charged by SBVME and is used to cover the costs of the board. The fiscal 2011 State budget includes $494,805 in special fund expenditures for the board.

Location of Provision(s) in the Bill: Section 4 (p. 130)

Analysis prepared by: Scott D. Kennedy

Bay Restoration Fund

Provision in the Bill: Authorizes the transfer of $90,000,000 from the Bay Restoration Fund to the general fund in fiscal 2012. The transfer may not include any funds that are needed to pay debt service on revenue bonds issued by the Water Quality Financing Administration for the Enhanced Nutrient Removal (ENR) program.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$90.0	$0	$0	$0	$0
SF Exp	0	(40.0)	0	0	0	0

State Effect: General fund revenues increase by $90.0 million in fiscal 2012 due to the transfer. According to the Administration, the transferred funds include $50.0 million in unexpended funds and $40.0 million in fiscal 2012 revenues. Although this bill does not require the transferred funds to be replaced with general obligation (GO) bond funding, the fiscal 2012 capital budget replaces $31.8 million of the unexpended funds transferred as a result of the bill and $40.0 million of the fiscal 2012 revenue redirected as a result of the bill. The 2011 *Capital Improvement Program* (CIP) and a preauthorization in the fiscal 2012 capital budget bill reflect the replacement in fiscal 2013 of the remaining $18.2 million of the unexpended funds redirected as a result of the bill. It is assumed that, without the transfer, special fund expenditures rather than GO bonds would have been used to support the Bay Restoration Fund. Thus, fiscal 2012 special fund expenditures decrease by $40.0 million, reflecting the fiscal 2012 revenue redirected under the bill.

Future years are not affected.

Local Effect: Although not required by the bill, the fiscal 2012 capital budget includes $71.8 million in GO bond funding to partially replace the $90 million transferred to the general fund. In addition, $18.2 million is preauthorized for replacement in fiscal 2013. Therefore, unless the bond funding is not provided in fiscal 2013 there will be no impact on local grant revenues for ENR upgrades.

Program Description: The Bay Restoration Fund, established by Chapter 428 of 2004, was created to address the significant decline in Chesapeake Bay water quality due to over-enrichment of nutrients such as nitrogen and phosphorus. This dedicated fund, financed in large part by wastewater treatment plant users, is used to upgrade Maryland's

67 major publicly owned wastewater treatment plants with ENR technology so they are capable of achieving wastewater effluent quality of 3.0 milligrams per liter (mg/L) total nitrogen and 0.3 mg/L total phosphorus. The Water Quality Financing Administration is authorized to issue revenue bonds for the ENR upgrades; the debt service on those bonds is paid with future year fee revenues.

Upgrading the State's major wastewater treatment plants with ENR technology is a key component of the State's Watershed Implementation Plan, which is the State's roadmap to achieving the nutrient pollution limits set by the U.S. Environmental Protection Agency in the Chesapeake Bay Total Maximum Daily Load, or "pollution diet."

Recent History: The Maryland Department of the Environment (MDE) currently estimates the cost to upgrade the 67 major publicly owned wastewater treatment plants at nearly $1.4 billion. During the 2011 session, MDE estimated that the fund had a deficit of $537.0 million. This estimate was based on anticipated revenues to and expenditures from the fund and assumed the replacement of funds transferred by this bill with GO bond funding in fiscal 2012 and 2013. MDE's June 2011 draft projection, however, shows a deficit of $385.0 million; the reduction is the result of revised construction estimates and delays in bay restoration bond issuances.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred $155.0 million in unexpended funds from the Bay Restoration Fund to the general fund in fiscal 2010 and redirected $45.0 million in revenue to the general fund in fiscal 2011. The fiscal 2011 capital budget replaced $125.0 million of the unexpended funds transferred in fiscal 2010. The fiscal 2012 capital budget includes the replacement of the remaining $30.0 million of prior year unexpended funds transferred and the $45.0 million of fiscal 2011 revenue redirected by Chapter 484.

Location of Provision(s) in the Bill: Section 6 (p. 132)

Analysis prepared by: Matthew Klein and Andrew D. Gray

Circuit Court Real Property Records Improvement Fund

Provisions in the Bill: Authorize the transfer of $10,000,000 from the Circuit Court Real Property Records Improvement Fund to the general fund in fiscal 2012 and increase the surcharge on all recordable instruments from $20 to $40 for fiscal 2012 through 2015.

Agency: Judiciary – Administrative Office of the Courts

Type of Action: Fund balance transfer; fee increase

Fiscal Impact:	*($ in millions)* FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0	$10.0	$0	$0	$0	$0
SF Rev	0	16.8	16.9	17.6	17.9	0

State Effect: General fund revenues increase by $10.0 million in fiscal 2012 due to the transfer. General fund revenues are not affected in future years. Special fund revenues increase by $16.8 million in fiscal 2012, $16.9 million in fiscal 2013, $17.6 million in fiscal 2014, and $17.9 million in fiscal 2015 due to the increase in the surcharge in those years.

The Circuit Court Real Property Records Improvement Fund had a fiscal 2010 ending balance of $47.1 million. Due to declining revenues, the fund balance is expected to drop to $23.7 million at the close of fiscal 2011. The fiscal 2012 State budget includes $37.9 million in special fund expenditures from the fund, and fiscal 2012 revenues are estimated to total approximately $33.6 million, based on the $40 surcharge. Accordingly, following the transfer, the fiscal 2012 closing fund balance is expected to be approximately $9.3 million.

Program Description: Created by Chapter 327 of 1991, the Circuit Court Real Property Records Improvement Fund supports all personnel and operating costs within the land records offices of the clerks of the circuit court. It further supports the maintenance costs of the Electronic Land Records Online Imagery system and its website as well as the Judiciary's major information technology (IT) development projects. Revenues for the fund have been generated primarily through a $20 recordation surcharge on all real estate transactions.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) allowed for the continued use of the fund to support major IT development projects of the Judiciary beyond fiscal 2010. Accordingly, the fiscal 2012 State budget includes $11.9 million in expenditures from the fund for that purpose. The fund has been supporting major IT endeavors since fiscal 2008. As a result, expenditures have increased and the fund balance has been steadily declining.

As introduced, the Governor's proposed fiscal 2012 State budget included $37.9 million in special fund expenditures from the fund, and fiscal 2012 revenues were estimated to total approximately $16.8 million (based on the $20 surcharge). Accordingly, following the $10.0 million transfer, the fund would have had a projected deficit of an estimated $7.4 million.

Location of Provision(s) in the Bill: Sections 1 and 5 (pp. 18 and 130)

Analysis prepared by: Flora M. Arabo

Voluntary Separation Program Special Fund Transfers

Provision in the Bill: Authorizes the transfer of a total of $8,591,538 in special fund savings associated with the Voluntary Separation Program (VSP) to the general fund in fiscal 2012.

Agency: Department of Budget and Management

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$8.6	$0	$0	$0	$0

State Effect: General fund revenues increase by $8.6 million due to the transfers. The transfers reflect a portion of the $12.0 million in special fund savings generated by VSP and will not affect the operations of any State agencies. Future years are not affected.

Program Description: Through Executive Order 01.01.2010.23, the State offered certain eligible State employees the opportunity to apply for participation in VSP during the period of December 7, 2010, through January 4, 2011. Eligibility was based principally on the position classification of the applicants. The plan did not apply to the Judicial or Legislative branches, and institutions of higher education, while not explicitly covered by the order, were authorized to create similar programs, if desired.

Those employees who were selected for participation in VSP separated from State service, effective the end of January 2011, and 653 positions were consequently abolished during February 2011. Participants received a lump-sum severance payment of $15,000, an additional payment of $200 per year for each year of service, and three months of State-paid health benefits in addition to any other benefits to which they were entitled.

The budget bill removes $19.1 million in general funds and $12.0 million in special funds to reflect the results of VSP. The $8.6 million in special fund transfers reflects a subset of the savings that was selected by the Department of Budget and Management for transfer to the general fund.

Location of Provision(s) in the Bill: Sections 5 and 14 (pp. 131-132 and 134)

Analysis prepared by: Dylan R. Baker

Maryland Automobile Insurance Fund Transfer

Provision in the Bill: Requires the Governor to transfer $4,000,000 from the Maryland Automobile Insurance Fund (MAIF) to the general fund by June 30, 2012, if Senate Bill 993 of 2011 takes effect.

Agency: Maryland Automobile Insurance Fund

Type of Action: Fund balance transfer

Fiscal Impact:			*($ in millions)*			
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$4.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $4.0 million in fiscal 2012 due to the transfer. Future years are not affected. As of December 31, 2010, MAIF had surpluses in its insured and uninsured accounts in excess of $125 million.

Program Description: MAIF is an independent, nonbudgeted State agency that was established in 1972. MAIF's Insured Division provides automobile insurance policies for those residents of Maryland whose applications have been declined by private insurers; it is funded through premiums, investment income, and, when necessary, a surcharge on premiums statewide. MAIF's Uninsured Division administers and pays claims to residents of Maryland who are involved in accidents in Maryland with motorists who are uninsured or for hit-and-run incidents where a responsible party cannot be found. Revenues for MAIF's Uninsured Division consist of recoveries from uninsured at-fault parties, uninsured motorist fines, and interest earnings. The fund transfer is from both MAIF divisions.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $7.0 million from the MAIF Uninsured Division to the general fund in fiscal 2009. Likewise, the Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $20.0 million from the MAIF Uninsured Division to the general fund in fiscal 2002.

Senate Bill 993 specifies that MAIF employees are not subject to any State law, regulation, or executive order governing State employee compensation, including furloughs, salary reductions, or any other general fund cost savings measures. The bill has been enacted as Chapter 312 of 2011.

Location of Provision(s) in the Bill: Section 22 (p. 138)

Analysis prepared by: Michael F. Bender

Electricity and Personnel Savings Fund Transfer

Provision in the Bill: Requires the transfer to the general fund of fiscal 2012 special fund savings generated through the abolition of positions required in Section 47 of the operating budget bill as well as savings generated from the reduction of electricity expenditures required in Section 49 of the operating budget bill.

Agency: All

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$3.0	$0	$0	$0	$0

State Effect: The fiscal 2012 State budget reduces positions and expenditures on electricity. These reductions are made across-the-board and affect all agencies and funds. This provision authorizes the transfer of the special fund savings into the general fund, thus increasing the general fund balance at the end of fiscal 2012.

With respect to electricity expenditure reductions, the budget bill specifies $2,976,551 in special fund savings that will be transferred to the general fund; thus, general fund revenues increase by $2,976,551 in fiscal 2012.

The amount of special fund savings transferred to the general fund as a result of the reduction in positions cannot be determined at this time because it depends on the number of special fund positions reduced by the Administration, which is unknown. In total, the Administration is required to delete 450 positions and generate $17.3 million in savings by January 1, 2012. *For illustrative purposes*, should the special fund positions abolished account for one-third of the total number of positions abolished, a $5.8 million special fund transfer to the general fund would result.

Location of Provision(s) in the Bill: Section 15 (p. 134)

Analysis prepared by: Patrick S. Frank

Baltimore City Community College Fund Balance

Provision in the Bill: Authorizes the transfer of $2,297,142 from the Baltimore City Community College (BCCC) fund balance to the general fund by June 30, 2012.

Agency: Baltimore City Community College

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$2.3	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.3 million in fiscal 2012. An estimated $13.6 million will remain in the BCCC fund balance after the fiscal 2012 transfer.

Program Description: The BCCC fund balance is maintained to fund long-term strategic needs.

Recent History: Since fiscal 2008, BCCC has accrued fund balances of $3.0 million to $8.1 million annually. In December 2010, BCCC financed a $7.0 million land purchase using a portion of the accumulated fund balance. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized transfers of $1.4 million and $0.8 million from BCCC in fiscal 2010 and 2011, respectively.

Location of Provision(s) in the Bill: Section 5 (p. 131)

Analysis prepared by: Richard H. Harris

Special Loan Programs Fund

Provision in the Bill: Authorizes the transfer of $2,200,000 from the Special Loan Programs Fund to the general fund in fiscal 2012.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$2.2	$0	$0	$0	$0
SF Exp	0	(2.2)	0	0	0	0

State Effect: General fund revenues increase by $2.2 million in fiscal 2012 due to the transfer. Following the transfer, the remaining balance in the Special Loan Programs Fund will be $727,171 at the close of fiscal 2012. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures would be used to support the capital appropriation, thereby decreasing the program's reliance on GO bonds. Thus, fiscal 2012 special fund expenditures decrease by $2.2 million. Future years are not affected.

Program Description: The Special Loan Programs provide preferred-interest-rate loans and grants to low- and moderate-income families, sponsors of rental properties occupied primarily by limited-income families, and nonprofit sponsors of housing facilities, including group homes. Funds may be used to provide loans to acquire and rehabilitate existing residential properties for group homes or shelters; to eliminate property health, safety, and maintenance deficiencies; and to ensure compliance with applicable housing codes and standards.

Recent History: The Special Loan Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments. Declining loan repayments have reduced the program's activity levels and fund balance in recent years. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $2.2 million in fiscal 2010 and $2.5 million in fiscal 2011 from this fund to the general fund. The fiscal 2011 capital budget includes $9.5 million in GO bonds for the fund, of which $4.6 million is designated to replace the bulk of the transfers made pursuant to Chapter 484.

Location of Provision(s) in the Bill: Section 6 (p. 132)

Analysis prepared by: Flora M. Arabo

Neighborhood Business Development Fund

Provision in the Bill: Authorizes the transfer of $2,050,000 from the Neighborhood Business Development Fund to the general fund in fiscal 2012.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:			*($ in millions)*			
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$2.1	$0	$0	$0	$0
SF Exp	0	(2.1)	0	0	0	0

State Effect: General fund revenues increase by $2.1 million in fiscal 2012 due to the transfer. Following the transfer, the remaining balance in the Neighborhood Business Development Fund will be $97,183 at the close of fiscal 2012. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures would be used to support the capital appropriation, thereby reducing the program's reliance on GO bonds. Thus, fiscal 2012 special fund expenditures decrease by $2.1 million. Future years are not affected.

Program Description: The Neighborhood Business Development Program provides grants and loans to small businesses and nonprofits to fund community-based economic development activities in revitalization areas designated by local governments. The fund is a nonlapsing, revolving fund, financed primarily through loan repayments.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $3.6 million in fiscal 2010 and $3.2 million in fiscal 2011 from the fund to the general fund, but the fiscal 2011 capital budget includes $6.7 million in GO bonds for the fund to replace the bulk of the transfers. Declining loan repayments have reduced the program's activity levels and fund balance in recent years.

Location of Provision(s) in the Bill: Section 6 (p. 132)

Analysis prepared by: Flora M. Arabo

State Insurance Trust Fund

Provision in the Bill: Authorizes the transfer of $2,000,000 from the State Insurance Trust Fund to the general fund in fiscal 2012.

Agency: Office of the State Treasurer

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$2.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.0 million in fiscal 2012 due to the transfer. Future years are not affected. The transfer will reduce the estimated balance on June 30, 2012, to $26.8 million, which is $250,000 above the actuarial recommended fund balance.

Program Description: The State Insurance Trust Fund is used to pay claims under the State's self-insurance program and to purchase commercial insurance to cover catastrophic property and liability losses. State agency budgets include funding for insurance premiums, which are deposited into the State Insurance Trust Fund.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $5.0 million in fiscal 2002, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $10.0 million in fiscal 2009, and the Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred $5.2 million in fiscal 2010 from the State Insurance Trust Fund to the general fund.

Location of Provision(s) in the Bill: Section 5 (p. 131)

Analysis prepared by: Steven D. McCulloch

Homeownership Programs Fund

Provision in the Bill: Authorizes the transfer of $1,500,000 from the Homeownership Programs Fund to the general fund in fiscal 2012.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$1.5	$0	$0	$0	$0
SF Exp	0	(1.5)	0	0	0	0

State Effect: General fund revenues increase by $1.5 million in fiscal 2012 due to the transfer. Following the transfer, the remaining balance in the Homeownership Programs Fund will be $432,049 at the close of fiscal 2012. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures would be used to support the capital appropriation, thereby reducing the program's reliance on GO bonds. Thus, fiscal 2012 special fund expenditures decrease by $1.5 million. Future years are not affected.

Program Description: The Homeownership Programs provide below-market interest rate mortgage loans to first-time homebuyers who lack the resources to purchase a home. The programs provide funds for down payment and settlement expenses and direct loans to households for the purchase of a home to encourage affordable homeownership opportunities. The Homeownership Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $3.0 million in fiscal 2011 from this fund to the general fund, but the fiscal 2011 capital budget includes $8.5 million in GO bonds for the fund, of which $3.0 million is designated to replace the transfer. Declining loan repayments have reduced the program's activity levels and fund balance in recent years.

Location of Provision(s) in the Bill: Section 6 (p. 133)

Analysis prepared by: Flora M. Arabo

Waterway Improvement Fund

Provision in the Bill: Authorizes the transfer of $1,090,000 from the Waterway Improvement Fund (WIF) to the general fund in fiscal 2012.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$1.1	$0	$0	$0	$0
SF Exp	0	(1.1)	0	0	0	0

State Effect: General fund revenues increase by $1.1 million in fiscal 2012 due to the transfer. Subsequent to the transfer, the fund balance will be $0. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures rather than GO bonds would be used to support WIF. Thus, fiscal 2012 special fund expenditures decrease by $1.1 million. Future years are not affected.

Local Effect: Local governments are eligible for grants from WIF. Unless the funds transferred to the general fund are replaced with GO bond funding, which is not required by this bill but is included in the fiscal 2012 capital budget, less program funding would be available for public boating access projects such as marinas, boat ramps, and volunteer fire department water rescue equipment purchases.

Program Description: WIF finances projects to expand and improve public boating access throughout the State. Financial support for the fund is derived from the 5% excise tax on the sale of vessels within the State.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) redirected $8.0 million in unexpended WIF revenues to the general fund and authorized up to 50% of the monies in WIF to be used, in fiscal 2003 and 2004 only, for administrative expenses directly relating to implementing the purposes of the fund. This adjustment was made with the understanding that the fund would be evaluated as part of a larger effort to improve the Department of Natural Resources' (DNR) special funds management and collection practices. That effort was postponed until the 2003 interim.

The Budget Reconciliation and Financing Act of 2003 (Chapter 203) modified the authorization to use WIF for administrative expenses in fiscal 2003 and 2004 by repealing the 50% limitation. That modification was necessary because the legislation also diverted $19.0 million in WIF monies to the general fund for cost containment purposes: $8.0 million in unexpended fiscal 2003 funds; and $11.0 million in fiscal 2004 special fund revenues.

The DNR Special Funds Workgroup concluded its study during the 2003 interim and recommended temporarily authorizing use of WIF for administrative purposes, but established a schedule for reducing the 10% administrative cost rate applied by DNR by 2% a year, until it was eliminated for fiscal years after fiscal 2009.

Chapter 6 of the 2007 special session eliminated the allocation of motor fuel tax special fund revenue to WIF and required the inclusion of at least $1.8 million in general funds each year for the fund. However, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) repealed the mandated annual general fund appropriation, removed a prohibition on the use of WIF revenue for administrative expenses, and specifically authorized the use of up to $750,000 in WIF special funds annually for program administration.

During fall 2009, the Board of Public Works reduced the fiscal 2010 special fund appropriation for WIF-related programs and staff in the operating budget by $994,450.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized transfers from WIF to the general fund of $13.5 million in fiscal 2010 and $3.9 million in fiscal 2011. The fiscal 2011 capital budget includes $10.2 million in GO bond funding for WIF to replace $6.3 million of the fiscal 2010 transfer and all of the fiscal 2011 transfer.

Location of Provision(s) in the Bill: Section 6 (p. 133)

Analysis prepared by: Amanda M. Mock

Spinal Cord Injury Research Trust Fund

Provision in the Bill: Authorizes a transfer of $500,000 from the Spinal Cord Injury Research Trust Fund to the general fund in fiscal 2012.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0	$500,000	$0	$0	$0	$0
SF Exp	0	(500,000)	0	0	0	0

State Effect: General fund revenues increase by $500,000 in fiscal 2012 due to the fund balance transfer. Following the transfer, the fund balance for the Spinal Cord Injury Research Trust Fund will be depleted. Without funds to distribute to grantees, special fund expenditures decrease by $500,000 in fiscal 2012.

Program Description: The State Board of Spinal Cord Injury Research was established in 2000 and awards grants from the Spinal Cord Injury Research Trust Fund. Grants are for spinal cord injury research that is focused on basic, preclinical, and clinical research for the development of new therapies to restore neurological function in individuals with spinal cord injuries. The fund receives $500,000 annually from the insurance premium tax.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred a total of $2.1 million from the trust fund to the general fund in fiscal 2010 and 2011. As a result, the board has not met regularly since fiscal 2010. Previously, the board did not meet from October 2004 to July 2006, at which time the board resumed its work of reviewing grant applications for spinal cord research.

Location of Provision in the Bill: Section 5 (p. 131)

Analysis prepared by: Jennifer A. Ellick

State Health Occupations Boards

Provisions in the Bill: Authorize transfers to the general fund of $237,888 from the State Board of Pharmacy Fund and $44,888 from the State Board of Examiners of Psychologists Fund in fiscal 2012.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfers

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$282,776	$0	$0	$0	$0

State Effect: General fund revenues increase by $282,776 in fiscal 2012 due to the two transfers. Future years are not affected. The transfers will leave $642,126 in the State Board of Pharmacy Fund and $166,983 in the State Board of Examiners of Psychologists Fund and will not affect the operations of either board.

Program Description: Each of the boards is 100% special funded through licensing fee revenues, which each board uses to license and regulate professionals in its field. Board activities include adopting regulations and standards of practice, verifying continuing education requirements and credentials, issuing licenses and certificates, investigating complaints, and disciplining licensees.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized transfers to the general fund of $1,222,476 in fiscal 2010 and $1,300,000 in fiscal 2011 from various health occupations boards. Under Chapter 484 a total of $298,544 and $73,718 was transferred from the State Board of Pharmacy Fund and the State Board of Examiners of Psychologists Fund, respectively.

Location of Provision(s) in the Bill: Section 5 (p. 131)

Analysis prepared by: Erin K. McMullen

Sales Tax Vendor Discount Cap

Provision in the Bill: Repeals the June 30, 2011 termination date of the sales tax vendor credit cap established by Chapter 3 of the 2007 special session.

Agency: Comptroller's Office

Type of Action: Revenue enhancement

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$18.8	$20.8	$22.2	$23.6	$24.9

State Effect: General fund revenues increase by $18.8 million in fiscal 2012 due to the continuation of the cap. Future year estimates are based on the current sales and use tax revenue forecast.

Program Description: In order to cover the expenses of collecting the State sales tax, persons filing timely returns are allowed to take a vendor credit against the gross tax remitted. Under current law, beginning again in fiscal 2012, vendors are allowed credit against the gross tax remitted in an amount equal to 1.2% of the first $6,000 collected and 0.9% of the excess above $6,000.

Recent History: Chapter 3 of the 2007 special session capped the amount of the sales tax vendor credit at $500 per filing period (monthly basis), effective January 3, 2008, through June 30, 2011.

Chapter 10 of 2008 altered the distribution of sales and use tax revenues by requiring that, for fiscal 2009 through 2013, 5.3% of revenues be distributed to the Transportation Trust Fund (TTF), with the percentage distributed to TTF increasing in fiscal 2014. However, another provision in this bill redirects all sales and use tax revenue to the general fund.

Location of Provision(s) in the Bill: Section 1 (pp. 110-111)

Analysis prepared by: Michael Sanelli

Motor Vehicle Administration – Verification of Tax Payments and Unemployment Insurance Contributions for Drivers' Licenses and Vehicle Registrations

Provisions in the Bill: Prohibit the Motor Vehicle Administration (MVA) from transferring a vehicle registration to or renewing a vehicle registration or driver's license for an individual who has not paid, or made satisfactory arrangements to pay, all undisputed taxes and unemployment insurance contributions. MVA must cooperate with the Comptroller and the Department of Labor, Licensing, and Regulation (DLLR) to develop procedures and adopt regulations that require the Comptroller and DLLR to notify MVA of individuals who have not paid all undisputed taxes and/or unemployment insurance contributions.

Agencies: Maryland Department of Transportation (Motor Vehicle Administration); Department of Labor, Licensing, and Regulation; Comptroller's Office

Type of Action: Revenue enhancement

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$15.0	$20.0	$7.5	$7.5	$7.5
SF Rev	0	increase	increase	increase	increase	increase
Nonbud Rev	0	0.9	1.2	0.4	0.4	0.4
GF Exp	0	0.3	0.3	0.1	0.2	0.2
SF Exp	0	0.1	0.1	0.1	0.1	0.1

State Effect: General fund revenues increase by $15.0 million in fiscal 2012 and by $20.0 million in fiscal 2013 due to increased tax compliance. The fiscal 2012 amount reflects an October 1, 2011 program implementation date that reduces the initial year revenues by 25%. Revenue increases will decrease to an estimated $7.5 million annually in the out-years, as the majority of revenue will likely be generated under one biennial vehicle registration cycle.

The Comptroller's Office estimates that general fund revenues could increase by $20.0 million in fiscal 2012. The Comptroller's Office currently operates several tax compliance programs, including the business tax clearance license program (which applies to about 550,000 licensees and has recently generated a total of $6.8 million in annual revenue); the IRS vendor payment program (which generated $11.4 million from 7,185 interceptions in calendar 2010); and the IRS refund offset program (which generated $39.4 million from 49,203 interceptions out of an estimated 2.2 million Maryland federal tax returns owed a refund in calendar 2010). MVA renews roughly 3 million registrations and licenses annually. Legislative Services estimates that, based on the existing tax compliance programs and the scope of the proposed measure, the program is likely to generate $20.0 million in general fund revenues on an annual basis in fiscal 2012 and 2013. However, a significant portion of this revenue represents an acceleration of revenue that would have otherwise been eventually received; the Comptroller's Office could not provide information on the extent to which this revenue would have otherwise been collected through one of the existing tax compliance programs.

Nonbudgeted revenues to the Unemployment Insurance Trust Fund (UITF) may increase by about $862,500 in fiscal 2012 and $1.2 million in fiscal 2013 due to an increase in unemployment insurance contribution compliance as a result of the program. UITF revenue increases will decrease beginning in fiscal 2014 (to an estimated $431,250 annually), as unpaid unemployment insurance contributions are collected during the initial vehicle registration period. These estimates are based on information provided by DLLR.

The program applies to all taxes that are administered by the Comptroller's Office; thus, a portion of the tax repayments are distributed to special funds. As a result, Transportation Trust Fund (TTF) and other special fund revenues may also increase beginning in fiscal 2012.

General fund expenditures increase by about $289,700 in fiscal 2012 for the Comptroller to hire 10 contractual revenue examiners, which reflects a full year of personnel costs and a three-month program implementation delay for communication costs. The fiscal 2012 State budget includes $100,000 in general funds for four contractual employees for the Comptroller's Office to administer the program; this funding is contingent on the enactment of this bill. Legislative Services estimates that, beginning in fiscal 2014, the Comptroller's administrative costs decrease, as five fewer contractual employees are needed due to fewer taxpayer questions and greater compliance.

TTF expenditures increase by about $98,400 in fiscal 2012 for MVA to hire three contractual customer agents, which reflects a full year of personnel costs and a three-month program implementation delay for communication costs. Beginning in fiscal 2014, MVA administrative costs decrease slightly as one of the contractual customer agents will no longer be needed. TTF expenditure estimates do not include any costs for contractual assistance related to establishing an information technology system; expenditures may increase further to the extent programming costs cannot be handled in-house with existing MVA resources.

The general fund and TTF administrative expenditure estimates assume the program is implemented to coincide to the greatest extent possible with the existing registration and license renewal process; to the extent that drivers and vehicle owners are notified in another manner, expenditures may increase further.

Legislative Services advises that actual revenues and expenditures resulting from this provision may vary widely from the estimates provided above. The Comptroller's general fund revenue projection is based on experience with similar programs and makes a number of assumptions, including the number of drivers and vehicle owners that will pay unpaid taxes, the average amount collected, the number of delinquent taxpayer accounts, and the amount already collected through other compliance programs. To the extent that any or all of these assumptions vary significantly from actual results, the estimates may significantly under or overstate revenues; this may also result in significantly greater or lesser expenditures for MVA and the Comptroller's Office.

Local Effect: Local government revenues increase as a result of the payment of unpaid local income taxes. Local government revenues increase by about $9.5 million in fiscal 2012, $12.6 million in fiscal 2013, and $4.7 million annually thereafter.

Program Description: Under current law, before any license or permit issued pursuant to the Transportation Article may be renewed, the issuing authority must verify through the Comptroller that the applicant has paid all undisputed taxes and unemployment insurance contributions payable to the Comptroller or DLLR. However, motor vehicle registrations and drivers' licenses are currently exempt from this requirement. In addition, the Comptroller must verify the payment of all undisputed taxes and unemployment insurance contributions by an applicant for various health, occupational, and professional licenses.

Recent History: The Budget Reconciliation and Financing Act of 2003 (Chapter 203) established a tax clearance program under the Comptroller's Office for various occupational licenses and permits. The Budget Reconciliation and Financing Act of 2005 (Chapter 444) extended these tax clearance requirements to insurance business licenses. Chapter 3 of the 2007 special session extended similar requirements to lawyers; however, Chapter 410 of 2008 repealed the tax clearance process established by Chapter 3, instead requiring only a notification process.

Location of Provision(s) in the Bill: Section 1 (pp. 124 and 126)

Analysis prepared by: Evan M. Isaacson and Robert J. Rehrmann

Injured Workers' Insurance Fund

Provisions in the Bill: Subject the Injured Workers' Insurance Fund (IWIF) to the 2% insurance premium tax and specify that the Governor must transfer $6,000,000, less the fiscal 2012 amount received as payment of the premium tax, from IWIF to the general fund on or before June 30, 2012. The transfer of any amount in excess of the insurance premium tax is contingent upon the enactment of House Bill 598 or Senate Bill 693 of 2011.

Agency: Injured Workers' Insurance Fund

Type of Action: Revenue enhancement; fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$6.0	$3.4	$3.5	$3.7	$3.9

State Effect: General fund revenues increase by $6.0 million in fiscal 2012 due to the balance transfer provision and the requirement that IWIF pay the 2% tax on insurance premiums already required of most insurers in the State. IWIF forecasts that its taxable premium will be $160 million in calendar 2011. However, only about $93 million of IWIF's 2011 premium – the amount received between June 1, 2011, and December 31, 2011 – will be subject to the premium tax to be paid in fiscal 2012. The estimate assumes that the calendar 2011 tax liability will be paid in March 2012. Thus, IWIF is expected to pay about $1.9 million due to the premium tax provision in fiscal 2012. It is then expected that the Governor will transfer an additional amount of roughly $4.1 million from IWIF to the general fund by June 30, 2012. Future years reflect annualization of premium tax payments, an estimated 5% annual increase in IWIF's taxable premium, and an assumption that the tax due from each calendar year will be paid at the beginning of the following calendar year.

Local Effect: Although the premium tax and balance transfer is paid by the insurer, IWIF advises that the effects will be passed on to policyholders. IWIF insures 265 governmental entities in the State. Thus, Maryland counties, municipalities, cities, and towns that are insured by IWIF will likely experience a minimal increase in their workers' compensation insurance costs.

Program Description: IWIF is a quasi-governmental agency that acts as the third-party administrator of workers' compensation for the State and offers workers' compensation insurance to private-sector firms and units of government in the State. IWIF is required by statute to offer workers' compensation insurance to firms unable to obtain insurance in the private market. In 2010, IWIF was the largest workers' compensation insurer in the State with a 21% market share.

House Bill 598 and Senate Bill 693 specify that employees of IWIF are not subject to any State law, regulation, or executive order governing State employee compensation, including furloughs, salary reductions, or any other general fund cost savings measure. The bills have been enacted as Chapters 132 and 276, respectively.

Location of Provision in the Bill: Sections 1 and 21 (pp. 44, 46, and 137)

Analysis prepared by: Michael T. Vorgetts

Birth Certificate Fees

Provision in the Bill: Increases the current $12 fee for a copy, search, or change to birth certificates to $24 and increases the fee that must be remitted by a local health department to the State in connection with the processing and issuing or searching for a birth certificate from $10 to $20.

Agencies: Department of Health and Mental Hygiene

Type of Action: Revenue enhancement; fee increase

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$4.9	$5.0	$5.2	$5.4	$5.5
FF Rev	0	0.9	0.9	1.0	1.0	1.0
GF Exp	0	0.9	0.9	1.0	1.0	1.0
FF Exp	0	0.9	0.9	1.0	1.0	1.0

State Effect: General fund revenues increase by $4.9 million in fiscal 2012 due to the fee increase. The fee increase will also result in an estimated $1.8 million in additional expenditures for the Medicaid program (shared 50/50 between general and federal funds), which uses birth certificates to confirm applicants' citizenship. Federal fund revenues will offset half of the increase in Medicaid costs.

Out-year revenues and expenditures assume 3% annual increases in applications.

Local Effect: Local health departments are required to double the fee currently remitted to the State in relation to birth certificate issuance and searches. However, current law allows the local health departments to charge a fee that covers their costs including any fee remitted to the State.

Program Description: The Division of Vital Records in the Department of Health and Mental Hygiene maintains a statewide system for registering, indexing, filing, and protecting all records of birth, death, fetal death, marriage and divorce, adoption, and legitimation and adjudication of paternity for events occurring in Maryland. Local health departments may also process and issue a birth certificate or a report that a search of the files was made and the requested record is not on file.

Recent History: Fees for vital records are set in statute and have not changed since 2003 when they were increased during the budget reconciliation process. At that time it was noted that Maryland's fees were in the bottom quartile of fees nationwide. The 2003 action raised those fees into the top quartile of fees nationwide. However, since that time, many states have increased vital records fees and Maryland once again ranks in the bottom quartile.

Location of Provision(s) in the Bill: Section 1 (pp. 34-36)

Analysis prepared by: Simon G. Powell

Parole and Probation Supervision Fee

Provision in the Bill: Increases the supervision fee for all offenders under supervision by the Division of Parole and Probation (DPP) to $50 per month.

Agency: Department of Public Safety and Correctional Services

Type of Action: Revenue enhancement; fee increase

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$3.2	$4.1	$4.1	$4.1	$4.1

State Effect: General fund revenues increase by an estimated $3.2 million in fiscal 2012 due to the increase in the supervision fee. The $50 fee will be applied to parole, probation, and mandatory release cases received in June 2011 and thereafter. Offenders who are committed to DPP by the courts and are already paying supervision fees will continue paying $25 per month. Offenders who are committed to DPP via the Maryland Parole Commission (MPC) and are already paying supervision fees will continue paying $40 per month. DPP anticipates 37,100 new probation cases, 14,500 new Drinking Driver Monitor Program (DDMP) cases, and 5,005 new parole/mandatory release cases in fiscal 2012 that could be subject to the new supervision fee. The $3.2 million revenue estimate assumes a 20% collection rate, although the current collection rate is unknown. Revenues could be higher or lower, depending on the number of approved waiver requests and the actual collection rate.

Fiscal 2013 revenue estimates assume that most offenders paying the current $25 or $40 supervision fee will have completed their supervision periods and will be replaced with offenders paying the new $50 fee. Future years reflect a stable population of offenders and an ongoing 20% collection rate.

Program Description: DPP supervises offenders placed on probation or in DDMP by the courts and parolees or mandatory releases who have been committed to supervision by MPC. Offenders pay a monthly supervision fee, which is deposited into the general fund. Offenders can receive a supervision fee waiver if payment of the fee poses an undue financial burden or they are facing financial hardship.

Recent History: Legislation was first enacted during the 1991 legislative session mandating the imposition of monthly supervision fees for offenders supervised by DPP. At that time, the mandated monthly supervision fee was set at $25 for probationers and $40 for offenders released via MPC. The Budget Reconciliation and Financing Act of 2005 (Chapter 444) increased the supervision fee charged to probationers from $25 to $40 per month. The fee increase terminated at the end of fiscal 2010, at which time the monthly supervision fee for probationers reverted to the current $25 per month.

Location of Provision(s) in the Bill: Section 1 (pp. 17 and 19)

Analysis prepared by: Rebecca J. Ruff

Transportation Fees

Provisions in the Bill: Increase various fees collected by the Motor Vehicle Administration (MVA) within the Maryland Department of Transportation (MDOT). The bill's changes are described below.

- **Certificate of Title Fee:** The bill increases the certificate of title fee, which is paid when an individual purchases a vehicle, from $50 to $100, except for rental vehicles, which are subject to a $50 fee through fiscal 2014 and a $100 fee annually thereafter. The certificate of title fee revenue is evenly divided between the Transportation Trust Fund (TTF) and MVA's cost recovery calculation. The fee increase is anticipated to generate an additional $52.5 million in fiscal 2012 and an additional $72.6 million by fiscal 2016 due to a projected increase in vehicle sales.

- **Vanity Tag Fees:** The bill increases the vanity tag fee, which is paid by individuals who obtain a personalized license plate from the State, from $25 to $50 annually (for an original issuance and for renewals). The increase is estimated to generate an additional $2.5 million in fiscal 2012, growing to $2.7 million by fiscal 2016. The additional revenue counts toward MVA's cost recovery calculation.

- **Dealer Processing Charge:** The bill increases the maximum dealer processing charge, from $100 to $200 through fiscal 2014 and to $300 annually thereafter. Assuming that a consumer pays an additional $100 in fiscal 2012, TTF receives $6 as part of the titling tax and dealers retain $94. The increase in the charge is estimated to generate approximately $5.3 million in fiscal 2012, increasing to $13.8 million by fiscal 2016 due to a projected increase in vehicle sales. TTF receives the first third of the revenue collected by the State, while the remaining two thirds is divided between MDOT (TTF), local jurisdictions, and the general fund (for fiscal 2012 only). These estimates assume that all consumers pay the full increase in the fee; revenues will be less to the extent consumers negotiate a reduced charge.

- **Dealer Vendor Credit:** Automobile dealers who collect the titling tax are allowed to keep a portion of the tax to pay for the costs to collect and remit the tax to the State. The bill reduces the dealer vendor credit from the lesser of $24 per vehicle or 1.2% of the gross excise tax the dealer collects to the lesser of $12 per vehicle or 0.6% of the gross excise tax the dealer collects. The change is anticipated to result in an increase in titling tax revenues of an estimated $3.7 million in fiscal 2012, growing to $5.6 million by fiscal 2016. TTF receives the first third of the revenue, while the remaining two thirds is divided between MDOT (TTF), local jurisdictions, and the general fund (for fiscal 2012 only).

Agency: Maryland Department of Transportation

Type of Action: Revenue enhancements

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$0.7	$0	$0	$0	$0
SF Rev	0	63.2	72.0	79.0	92.7	94.7

State Effect: TTF revenues increase by $63.2 million in fiscal 2012 due to the fee increases; of this amount, TTF retains $62.7 million and local jurisdictions receive $531,449. The increase in TTF revenues grows to $94.7 million by fiscal 2016; of this amount, TTF retains $93.5 million, and local jurisdictions receive $1.2 million. General fund revenues increase by $674,761 in fiscal 2012 only, as the general fund receives a portion of the additional revenue generated from the dealer processing charge and the dealer vendor credit.

Exhibit 10 shows the distribution of the additional fee revenue generated.

Exhibit 10
Distribution of Additional Fee Revenue
Fiscal 2012-2016

	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
TTF	$62,725,858	$71,299,123	$78,261,394	$91,493,334	$93,453,925
GF	674,761	0	0	0	0
Local	531,449	678,718	721,576	1,208,707	1,243,414
Total	**$63,932,068**	**$71,977,841**	**$78,982,969**	**$92,702,042**	**$94,697,339**

Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation; Department of Legislative Services

Almost all of the additional revenue generated accrues to TTF. Half of the total revenue generated from the certificate of title fee and all of the vanity tag fee revenue is credited to MVA's cost recovery requirement. Any additional revenue generated for MVA's cost recovery calculation reduces the amount of TTF revenue necessary to subsidize MVA's expenditures based upon the statutory cost recovery requirement.

Local Effect: The only funding that is shared with local jurisdictions (Baltimore City, counties, and municipalities) is revenue tied to the titling tax (the dealer processing charge and the dealer vendor credit). As shown above, local jurisdictions are anticipated to receive an estimated $531,449 in fiscal 2012 and an estimated $1.2 million by fiscal 2016. The fiscal 2012 distribution to the counties and municipalities is shown in **Appendix C3**.

Program Description: MVA collects several vehicle-related fees, including the titling tax. The titling tax is collected by MVA and then distributed to TTF, the general fund, and local jurisdictions. The dealer processing charge and the dealer vendor credit relate to the titling tax; the dealer processing charge is factored into the total purchase price of a vehicle and the vendor credit is a deduction from the titling tax.

MVA also collects other vehicle-related fees, such as driver's license fees, registration fees, and miscellaneous fees, such as the certificate of title fee and the vanity tag fee.

Current law requires that the fees MVA collects generate enough revenue to cover at least 95% of its operating and capital expenditures.

Recent History: The certificate of title fee is a one-time fee assessed when a vehicle is purchased. The fee was increased to $50 during the 2007 special session.

The vanity tag fee was established in 1971 at $25 and has never been increased. The vanity tag fee is paid as part of the annual registration fee for any individual that has a personalized license plate. The fee does not apply to organizational license plates.

The dealer processing charge is a fee that the dealer is allowed to collect under statute for the administrative costs of purchasing a vehicle. A maximum allowable fee of $25 was established in 1993; the maximum fee was increased to $100 in 2003.

The dealer vendor credit is similar to the sales tax vendor credit. Car dealers who collect the titling tax are allowed to retain a portion of the tax collected for the administrative costs of remitting the tax to the Comptroller. In 2002, the credit was temporarily set to the lesser of $12 or 0.6% before increasing again to the lesser of 1.2% or $24 in fiscal 2005.

Location of Provision(s) in the Bill: Sections 1 and 35 (pp. 125-126 and 144)

Analysis prepared by: Jonathan D. Martin

Senior Prescription Drug Assistance Program and the Kidney Disease Program

Provisions in the Bill: Authorize the transfer of $2,500,000 in fiscal 2011 from the Senior Prescription Drug Assistance Program (SPDAP) to the Medical Assistance Program (Medicaid), and authorize transfers of $3,000,000 in each of fiscal 2012 and 2013 from SPDAP to the Kidney Disease Program. In addition, a transfer of $1,500,000 from SPDAP to the general fund is authorized for fiscal 2012.

Separate provisions require that a portion of the premium tax exemption subsidy provided by CareFirst be used to subsidize the Kidney Disease Program rather than the Maryland Pharmacy Discount Program and require the subsidy amount provided to the Community Health Resources Commission (CHRC) to be no less than $3,000,000 in fiscal 2012 and 2013 and no less than $8,000,000 annually thereafter. The subsidy provided to the Kidney Disease Program and CHRC must equal the value of the premium tax exemption minus the subsidy provided to SPDAP.

Agencies: Maryland Health Insurance Plan; Department of Health and Mental Hygiene

Type of Action: Fund swaps; fund balance transfer; special fund mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$1.5	$0	$0	$0	$0
GF Exp	(2.5)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)
SF Exp	2.5	3.0	3.0	0	0	0

State Effect: General funds required to support a fiscal 2011 Medicaid deficiency decrease by $2.5 million and are replaced by $2.5 million in special funds from SPDAP. The special fund deficiency expenditure is contingent on authorizing legislation. Based on current projections of spending in SPDAP, the $2.5 million fund transfer leaves SPDAP with an estimated closing fund balance of $7.1 million at the end of fiscal 2011.

General fund revenues increase by $1.5 million in fiscal 2012 due to the fund balance transfer from SPDAP. In addition, the Kidney Disease Program will be supported with annual $3.0 million transfers from SPDAP in fiscal 2012 and 2013 and $8.6 million in special funds from the subsidies provided by CareFirst that will be redirected from CHRC to the program annually during those two years. The fiscal 2012 State budget includes an $11.6 million general fund reduction to the Kidney Disease Program that is contingent on legislation allowing the CareFirst revenue to be used for the program.

Even after the transfers from SPDAP to the general fund and the Kidney Disease Program, based on current estimates of SPDAP spending, a fund balance of $0.8 million remains at the end of fiscal 2013 (when SPDAP is currently scheduled to terminate).

In fiscal 2014 and future years, an estimated $11.6 million in redirected special funds will replace general fund expenditures for the Kidney Disease Program. Funds from the CareFirst subsidy are expected to be sufficient to support the program and the $8.0 million required annual appropriation for CHRC.

Program Description: CareFirst, as a condition of its exemption from the insurance premium tax, is required to subsidize SPDAP, the Maryland Pharmacy Discount Program (no longer in existence), and CHRC. In fiscal 2011, the CareFirst premium exemption subsidy is supporting SPDAP ($14.0 million), CHRC ($3.0 million), and the Kidney Disease Program ($11.0 million after taking into account a $1.0 million fiscal 2011 negative deficiency). Funding for the Kidney Disease Program is for fiscal 2011 only and is the result of alterations made to the subsidy under the Budget Reconciliation and Financing Act of 2010 (Chapter 484). The subsidy provided by CareFirst is expected to total $25.6 million in fiscal 2012. Assuming that SPDAP receives $14.0 million and CHRC receives $3.0 million, $8.6 million will remain for the Kidney Disease Program.

The Kidney Disease Program provides coverage for kidney disease treatment for qualified individuals who elect to enroll in the program and agree to pay specified fees. In previous years, the program has been supported with mostly general funds.

SPDAP, overseen by the Maryland Health Insurance Plan, provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. In addition to the subsidy from CareFirst for its insurance premium tax exemption, SPDAP also receives up to $4.0 million from CareFirst in years when CareFirst generates a surplus over a certain amount.

CHRC was established in 2005 to increase access to health care for lower-income individuals and to provide resources to community health resource centers. The commission awards grants and helps communities to develop more coordinated, integrated systems of community-based care, redirect nonemergency care from emergency rooms to other health care providers, and assist individuals in establishing medical homes.

Chapters 281 and 282 of 2005 repealed the Maryland Pharmacy Discount Program that provided drug discounts and subsidies for Medicare beneficiaries. The repeal was prompted by the passage of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

Recent History: As introduced, the Budget Reconciliation and Financing Act of 2010 proposed similar ongoing funding of the Kidney Disease Program with a portion of the CareFirst subsidies, as well as additional SPDAP fund balance transfers to Medicaid and the Kidney Disease Program. Ultimately, the legislation provided for one-time support in fiscal 2011 without any permanent reallocation of the CareFirst subsidies. Specifically, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) provided for fiscal 2010 transfers of funds from SPDAP to Medicaid ($5.0 million) and the Kidney Disease Program ($10.5 million), and a fiscal 2011 transfer of funds from SPDAP to the Kidney Disease Program ($1.5 million).

Location of Provision(s) in the Bill: Sections 1, 5, 11, and 12 (pp. 44-46, 131, and 133-134)

Analysis prepared by: Simon G. Powell

Medicaid Hospital Assessments

Provisions in the Bill: Require the Health Services Cost Review Commission (HSCRC) to approve a combination of additional hospital assessments and remittances in the amount of $389,825,000 to support the general operations of the Medicaid program in fiscal 2012. HSCRC may also reduce assessments or remittances to reflect savings resulting from commission-approved changes in hospital rates or policies.

For fiscal 2013 and thereafter, HSCRC and the Department of Health and Mental Hygiene (DHMH) must adopt policies that continue to generate at least $389,825,000 annually in special fund revenues and/or general fund savings from reduced Medicaid hospital or other payments. However, these policies must be in lieu of fiscal 2012 assessment and remittance revenues but may include other assessments and remittances. HSCRC and DHMH must, to the maximum extent possible, adopt policies that preserve the State's federal Medicare waiver.

Additionally, the rate of the existing assessment on hospitals used to capture averted uncompensated care from the 2007 expansion of Medicaid is set at 1.25% of projected regulated net patient revenue. DHMH must ensure that publicly owned specialty hospitals pay a comparable assessment and that any revenues be used for general Medicaid operations.

Finally, a reporting requirement for HSCRC is expanded to include information on the reduction in uncompensated care resulting from federal health care reform legislation.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap; assessment increase

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$259.9	increase	increase	increase	increase
GF Exp	0	(259.9)	(259.9)	(259.9)	(259.9)	(259.9)
SF Exp	0	259.9	increase	increase	increase	increase

State Effect: Special fund revenues and expenditures for DHMH increase by an estimated total of $259.9 million in fiscal 2012 due to new hospital assessments and remittances. HSCRC must generate $389.8 million in special fund revenues through a combination of new hospital assessments and remittances. However, a net revenue increase from the assessments and remittances of only $259.9 million is assumed, which represents the amount of additional special fund revenues above the $129.9 million assessed administratively on hospital rates in fiscal 2011. The fiscal 2012 State budget includes $225.0 million in special fund spending for Medicaid that is contingent on legislation authorizing an increase in Medicaid hospital assessments.

Ongoing general fund savings is assumed in fiscal 2013 and thereafter. The bill specifies that the savings must be achieved through a combination of special fund revenues and general fund savings. It is expected that special fund revenues (and the commensurate special fund expenditures) will cover a significant portion of the general fund savings, but the balance of new revenues and spending reductions cannot be reliably estimated and may change from year to year.

Setting the rate of the uncompensated care assessment at 1.25% of projected regulated net patient revenue will generate special fund revenues and corresponding special fund spending beginning in fiscal 2012. Under current law, HSCRC sets an annual assessment on hospital rates in an amount equal to the aggregate reduction in hospital uncompensated care realized from the expansion of health care coverage under Chapter 7 of the 2007 special session. Over the last several years, this assessment has been equivalent to about 1.25% of net patient revenue. Setting the rate at this level, therefore, is not expected to have a net impact on special fund revenues. It does, however, reduce the workload of HSCRC.

Program Description: Under current law, HSCRC must impose an assessment on hospital rates to (1) reflect the aggregate reduction in hospital uncompensated care realized from the expansion of Medicaid eligibility under Chapter 7 of the 2007 special session; and (2) fund the Maryland Health Insurance Plan (MHIP). The uncompensated care assessment may not exceed the savings realized in uncompensated care. Special funds generated from the assessment are used to fund Medicaid services to certain parents and emergency room services for childless adults. Revenues from the assessment will total an estimated $146.1 million in fiscal 2011.

Net patient revenue is all patient revenue for which a hospital bills excluding contractual allowances, charity care, bad debt, and payor denials. Regulated patient revenue is all Medicare Part A hospital costs including any inpatient or outpatient services located at the hospital. Unregulated patient revenue reflects Medicare Part B costs such as physicians, clinics, and off-site outpatient services. There are 10 specialty hospitals (generally rehabilitation and private psychiatric hospitals) and 2 public chronic care hospitals in the State. Net patient revenues are expected to grow 2% to 4% annually in future years.

Recent History: The fiscal 2009 and 2010 budgets used special funds from hospital assessments to replace general funds for Medicaid in the amount of $19.0 million and $45.8 million, respectively. In fiscal 2011, the Medicaid budget was reduced by $129.9 million to be backfilled with special funds from a hospital assessment. HSCRC voted to assign 30% as hospital remittance and 70% as additional hospital rates passed on to the payor/patient. To meet the fiscal 2012 requirement to generate $389.8 million in remittances and assessments, HSCRC has adopted a plan in which the hospitals will pay a total of $56.5 million in remittances while the remaining $333.3 million will be generated from an increase in hospital rates for all payors.

Location of Provision(s) in the Bill: Sections 1 and 16 (pp. 39-43 and 134-135)

Analysis prepared by: Jennifer B. Chasse

Education Jobs Fund Savings

Provision in the Bill: Authorizes the use of $124,420,746 in fiscal 2011 general fund savings generated by the availability of money from the federal Education Jobs Fund to prefund the State's fiscal 2012 general fund obligation for the State share of the foundation program. The funds will be distributed to local school systems June 1, 2011.

Agency: Maryland State Department of Education

Type of Action: Fund swap

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($124.4)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $124.4 million in fiscal 2012 due to the use of funds that were appropriated for fiscal 2011 to support a share of fiscal 2012 education aid costs. The fiscal 2012 State budget includes a reduction to the State share of the foundation program, the State's largest education aid program, contingent on legislation authorizing the prefunding of fiscal 2012 aid.

Local Effect: Local school systems will receive some of their fiscal 2012 aid in June 2011 rather than waiting until fiscal 2012 to receive it.

Program Description: Legislation establishing a $10 billion Education Jobs Fund was enacted by the federal government in August 2010 with the goal of saving or creating education jobs during the 2010-2011 school year. Maryland's share of the federal grant totaled $178.9 million. The Maryland State Department of Education retained $350,000 to administer the grant program, and the remaining $178.6 million was distributed to local school systems in fiscal 2011 in accordance with State formula funding.

Of the amount devoted to school systems, $35.7 million (20% of the total grant) represented one-time enhancement funding for fiscal 2011 and $142.9 million replaced State general funds that were supporting education. In a letter to local superintendents of schools explaining the federal grant, the Governor committed to using the savings for education. A share of these funds, $18.4 million, will be used to offset the underattainment of fiscal 2011 video lottery revenues, leaving $124.4 million to prefund the 2012 education budget.

Location of Provision(s) in the Bill: Section 18 (p. 136)

Analysis prepared by: Monica L. Kearns

State Department of Assessments and Taxation – Local Reimbursement for Property Valuation Expenditures

Provisions in the Bill: Require the counties and Baltimore City to reimburse the State Department of Assessments and Taxation (SDAT) for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of costs incurred by SDAT with regards to information technology in fiscal 2012 and 2013. Beginning in fiscal 2014, the counties and Baltimore City are required to reimburse SDAT for 50% of these costs. The bill specifies how those costs must be allocated among the counties and Baltimore City and how payments must be remitted. The Comptroller may withhold a portion of a local income tax distribution if timely payment is not made.

Agencies: State Department of Assessments and Taxation; Department of Information Technology

Type of Action: Cost shift; fund swap

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$34.8	$34.1	$19.1	$19.3	$19.5
GF Exp	0	(34.8)	(34.1)	(19.1)	(19.3)	(19.5)
SF Exp	0	34.8	34.1	19.1	19.3	19.5

State Effect: General fund expenditures decrease by $34.8 million in fiscal 2012 due to the shift in costs from the State to the local jurisdictions. General funds to support SDAT and related information technology projects are included in the fiscal 2012 State budget, but reductions totaling $34.8 million are contingent on the enactment of legislation requiring the counties to pay these costs. The fiscal 2012 State budget also includes language to authorize budget amendments to expend the special funds collected from counties in lieu of the general funds appropriated in the budget. The fiscal 2012 cost shift includes:

- a $31.5 million fund swap, which allows the department to use special funds in lieu of general funds for expenditures associated with the Real Property and Business Valuation programs; and
- a $3.3 million fund swap, which allows the department to use special funds in lieu of general funds for expenditures associated with the Information Technology program and the implementation of the Assessment Administration and Valuation System (AAVS). The fiscal 2012 State budget includes approximately $2.3 million in general funds in SDAT's budget and approximately $0.9 million in general funds for one-time AAVS expenditures in the Department of Information Technology's budget that will be replaced with special funds as a result of this action.

Future years reflect the five-year average of expenditure changes for each unit and the decrease in the percentage of costs required to be reimbursed beginning in fiscal 2014.

Local Effect: Local government expenditures increase by approximately $34.8 million in fiscal 2012 and by $19.5 million in fiscal 2016. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total. The fiscal 2012 reimbursement is shown by local jurisdiction in **Appendix C5**.

Program Description: SDAT supervises the assessment of all property in the State. The counties and municipalities are the primary beneficiaries of property taxes in Maryland. In fiscal 2011, the State property tax rate is $0.112 per $100 of assessed value, while county property tax rates are generally about $1.00 per $100 of assessed value.

Recent History: As introduced, the Budget Reconciliation and Financing Act of 2009 contained a provision requiring county governments to reimburse SDAT for (1) 90% of the cost of real property valuation; (2) 90% of the cost of business property valuation; and (3) 75% of costs incurred by SDAT with regards to information technology. However, this provision was eliminated from the bill prior to final passage.

Location of Provision(s) in the Bill: Section 1 (pp. 111-112)

Analysis prepared by: Michael Sanelli

State Retirement Agency Administrative Charge

Provisions in the Bill: Assess an administrative charge on State agencies and local governmental units to fund the administrative and operational costs of the Board of Trustees of the State Retirement and Pension System and the State Retirement Agency (SRA) in lieu of withdrawing these costs from the pension trust fund. The charges will be apportioned based on relative membership in the systems on June 30 of the second prior fiscal year. Spending by the Board of Trustees on investment management services is excluded from the administrative charges.

The State will pay the administrative costs for local library employees. Participating governmental units (PGUs) must pay SRA administrative fees, but the payments are excluded from the amounts they owe the pension trust fund. The State's required annual appropriations to the pension trust fund will be reduced by the amounts paid by local boards of education and community colleges toward the administrative costs.

Local boards of education and community colleges will begin paying their *pro rata* shares of the administrative charges on a per-employee basis in fiscal 2012, and the per-employee costs will be calculated excluding PGU membership in the systems. State agencies and PGUs will begin paying their shares in fiscal 2013.

Agency: State Retirement Agency

Type of Action: Cost shift; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$16.6	$14.7	$15.0	$15.3	$15.6
GF Exp	0	(16.6)	(8.6)	(8.7)	(8.9)	(9.1)
SF Exp	0	16.6	1.9	2.0	2.0	2.1
FF Exp	0	0	1.9	2.0	2.0	2.1

State Effect: General fund expenditures decrease by $16.6 million in fiscal 2012 due to the use of special fund revenues collected from local boards of education and community colleges to support a portion of SRA administrative costs. Special fund expenditures of an equivalent amount will backfill contingent general fund spending reductions included in the fiscal 2012 State budget. Local boards of education will pay an estimated $15.9 million collectively, while the local community colleges will pay approximately $758,000. These estimates assume contributions of approximately $163 per employee in the Teachers' Retirement System and the Teachers' Pension System.

In fiscal 2013 State agencies and PGUs will support SRA administrative and operational costs along with the local boards of education and community colleges, resulting in a likely decrease in the per-member administrative assessment from fiscal 2012. Special fund revenues increase by an estimated $14.7 million, which represents expected local school and college payments to support SRA administrative costs. General fund expenditures for the pension costs of local board of education and community college employees will decrease by the same amount, but the decrease will be offset by approximately $6.1 million in State general fund agency costs for SRA administration. Likewise, special and federal fund expenditures increase to pay the State agency shares of SRA administrative costs.

Future years assume 2% annual increases in SRA administrative costs.

Local Effect: For fiscal 2012, State retirement payments on behalf of local school systems and community colleges were reduced by $15.9 million and $757,696, respectively, to account for the costs that will instead be paid by the local boards of education and community colleges. The fiscal 2012 costs are shown by county in **Appendix C5**. Beginning in fiscal 2013, similar payments will be made, but the per employee share charged to local boards of education and community colleges will likely be lower due to the inclusion of PGUs in the calculation of a per employee cost. For example, fiscal 2013 local board of education and community college costs are estimated at $14.7 million, down $1.9 million from the fiscal 2012 payments.

PGUs will also be charged the per-employee cost in fiscal 2013, but the bill allows them to deduct the amount they have to pay for administrative fees from the amount they pay in employer contributions, holding the units harmless from any increase in costs.

Program Description: SRA, under the direction of the 14-member Board of Trustees, is responsible for administering the State's retirement and pension systems. The board-appointed executive director is responsible for policy development, legislation, and legal affairs. The fiscal 2012 State budget includes $28.0 million for SRA administration.

Location of Provision(s) in the Bill: Sections 1 and 28 (pp. 71-72, 75-79, and 140-142)

Analysis prepared by: Dylan R. Baker

Nursing Home Quality Assessment

Provision in the Bill: Increases the nursing home quality assessment from 4% to 5.5%.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap; assessment increase

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$35.5	$36.9	$38.4	$39.9	$41.5
FF Rev	0	22.5	23.4	24.3	25.3	26.3
GF Exp	0	(13.0)	(13.5)	(14.1)	(14.6)	(15.2)
SF Exp	0	35.5	36.9	38.4	39.9	41.5
FF Exp	0	22.5	23.4	24.3	25.3	26.3

State Effect: Special fund revenues increase by $35.5 million in fiscal 2012 due to the increase in the nursing home assessments. General fund expenditures decline by $13.0 million due to the use of $13.0 million in special fund revenue generated by the increased assessment to backfill for a fiscal 2012 general fund reduction in Medicaid that is contingent on the enactment of legislation increasing the nursing home quality assessment.

The remaining additional ($22.5 million in fiscal 2012) assessment revenue will also be used to hold harmless nursing facility providers serving Medicaid patients from the impact of the higher assessment ($11.9 million in fiscal 2012 special fund expenditures matched by $11.9 million in federal Medicaid funds), as well as to support the State share of an anticipated 1.67% increase in reimbursement rates ($10.6 million in fiscal 2011 matched with $10.6 million in federal funds). This reimbursement increase will be split between a general rate increase (1.46%) and an increase through pay-for-performance, so that actual rate increase will vary by facility.

Future years assume 4% annual increases in revenues and expenditures.

Program Description: Chapter 503 of 2007 imposed a 2% nursing home quality assessment. That assessment was increased to 4% by the Budget Reconciliation and Financing Act of 2010 (Chapter 484).

Recent History: The action proposed in this bill is similar to the one enacted in Chapter 484. Although the fiscal 2012 budget does not actually contain funding for a rate increase under the mechanism described above (and neither did the fiscal 2011 budget adopted by the General Assembly), it is the intent of the Department of Health and

Mental Hygiene to adopt the same course of action as implemented in fiscal 2011. Specifically, regulations were promulgated to increase nursing home rates, and a budget amendment subsequently recognized the additional revenues.

Under current federal law, the proposed 5.5% assessment rate is the maximum rate that can be assessed on a provider while avoiding the application of provisions that prohibit the guarantee of holding a payor of these assessments harmless for all or a portion of the assessment. That maximum "safe harbor" rate is currently scheduled to increase to 6%, effective September 30, 2011.

Location of Provision(s) in the Bill: Section 1 (pp. 43 and 129)

Analysis prepared by: Simon G. Powell

Aging Schools Program

Provision in the Bill: Authorizes the use of general obligation (GO) bond funds for the Aging Schools Program.

Agency: Interagency Committee for Public School Construction

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($6.1)	($8.6)	($8.6)	($8.6)	($8.6)
Bond Exp	0	6.1	8.6	8.6	8.6	8.6

State Effect: General fund expenditures for the Aging Schools Program decrease by $6.1 million in fiscal 2012 contingent on legislation reducing the required general fund appropriation. The fiscal 2012 capital budget includes GO bonds that will be used to support the program's mandated funding level of $6.1 million and an additional $2.5 million discretionary enhancement to the program approved by the General Assembly.

The fiscal 2012 enhancement increases the mandated funding level for the Aging Schools Program to $8.6 million for fiscal 2013 and thereafter. Assuming the program is funded with GO bonds in the future due to the authorization provided in this bill, general fund savings will be $8.6 million annually beginning in fiscal 2013.

Local Effect: None. State aid will be provided with GO bond funds rather than general funds.

Program Description: The Aging Schools Program provides funds to local school systems for improvements, repairs, and deferred maintenance in public school buildings. Eligible expenditures include asbestos and lead paint abatement; upgrade of fire protection systems and equipment; painting, plumbing, and roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring for technology; and renovation projects related to education programs and services.

Recent History: Chapter 252 of 2006 added an inflation factor to the calculation of annual funding under the Aging Schools Program. Funding for each local school system was based at the fiscal 2007 amount ($10.4 million collectively for the systems) and was set to increase each year with changes in the Consumer Price Index from the second prior fiscal year. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) deleted fiscal 2010 general fund support for the program, but $6.1 million in GO bond funds was provided through the capital budget. Chapter 487 also set funding for the program at

$6.1 million for fiscal 2011 and $10.4 million for fiscal 2012, and restarted annual inflationary increases in fiscal 2013. However, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) set program funding at $6.1 million annually and deleted the inflation factor. GO bonds were again authorized in fiscal 2011 to fund the program at $6.1 million.

Location of Provision(s) in the Bill: Section 1 (p. 22)

Analysis prepared by: Monica L. Kearns

County Reimbursement for Nonpublic Placements of Children in State Care

Provisions in the Bill: Require a local board of education to reimburse the Department of Juvenile Services (DJS) or the Department of Human Resources (DHR) for each child from the county who is placed in State-supervised care in a nonpublic residential placement that also provides the education program for the child. The reimbursement amount is equivalent to the average amount of State and local funds spent for the public education of a nondisabled child in the county. The reimbursement amount will only be calculated for children who were included in a county's annual public school enrollment count. The requirement specifically excludes children in State-supervised care who are placed in nonpublic special education placements.

Agencies: Department of Juvenile Services; Department of Human Resources; Maryland State Department of Education

Type of Action: Cost shift; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$3.5	$3.6	$3.6	$3.6	$3.7
GF Exp	0	(3.5)	(3.6)	(3.6)	(3.6)	(3.7)
SF Exp	0	3.5	3.6	3.6	3.6	3.7

State Effect: General fund expenditures decrease by $3.5 million in fiscal 2012 due to the use of local school board reimbursements, rather than general funds, to support educational costs for children in State-supervised care. The fiscal 2012 State budget includes contingent general fund expenditure reductions totaling $3.5 million, including $2.2 million for DJS, $1.0 million for DHR, and $334,000 for the Maryland State Department of Education (MSDE).

Special fund revenues and expenditures increase by an estimated $3.5 million in fiscal 2012 due to reimbursements from counties for the education of certain children placed in State-supervised care. The funding will replace the contingent general fund reductions. The estimates are based on the information and assumptions shown below.

- The statewide average basic cost for fiscal 2011 is $10,038.
- Approximately 520 children are in State-supervised care with educational services funded by a State agency.
- An estimated two-thirds of these children have been included in the enrollment count for their home counties.

Future years reflect expected annual increases in the “basic cost” and a relatively stable number of children for whom counties will provide reimbursements. It is assumed that general fund savings will match special fund revenues and expenditures.

Local Effect: Some costs shift to local boards of education for nonpublic education placement of children in State care who are not designated as special education students. For fiscal 2012, the additional costs are estimated at $3.5 million and are included in **Appendix C5**.

Program Description: DJS will educate an estimated 318 nondisabled youth in its detention and committed facilities in fiscal 2012. Through its foster care programs, DHR will provide nonpublic education placement for an estimated 152 youth who are not designated as special education. MSDE will educate an estimated 48 committed youth who are not designated as special education through its operation of the educational program at the Victor Cullen juvenile services facility. It is unclear what proportion of these students were included in local school system enrollment counts in current and prior years.

Location of Provision(s) in the Bill: Section 1 (pp. 22-23 and 32)

Analysis prepared by: Monica L. Kearns

Forest and Park Payments to Counties in Lieu of Taxes

Provisions in the Bill: Prohibits the Department of Natural Resources (DNR) from making revenue sharing payments to counties from park earnings in fiscal 2012 and 2013.

Agency: Department of Natural Resources

Type of Action: Revenue sharing relief; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($1.7)	($1.7)	$0	$0	$0

State Effect: General fund expenditures decrease by $1.7 million annually in fiscal 2012 and 2013, as special funds that would have been used for payments to counties from park earnings are redirected to activities that otherwise would have been paid for with general funds. The fiscal 2012 State budget reduces the Forest Service's general and special fund appropriations by $1,740,000 contingent upon the enactment of legislation to eliminate the payment in lieu of taxes from park earnings to localities for fiscal 2012 and 2013. The fiscal 2012 State budget includes language authorizing the processing of a special fund budget amendment to replace the general fund expenditures with the special funds.

Exhibit 11 shows the actual and projected payments to counties in fiscal 2009 through 2016 from the Forest or Park Reserve Fund and the Forest and Park Concession Account as provided under current law and under the bill.

Exhibit 11
Payments to Counties from the Forest or Park Reserve Fund and the Forest and Park Concession Account Under Current Law and the Bill
Fiscal 2009-2016

	Current Law			The Bill			
Fiscal Year	Forest or Park Reserve Fund	Forest and Park Concession Account	Total	Forest or Park Reserve Fund	Forest and Park Concession Account	Total	Difference
2009	$1,916,911	$122,245	$2,039,156	$1,916,911	$122,245	$2,039,156	$0
2010	271,516	0	271,516	271,516	0	271,516	0
2011 est.	430,077	0	430,077	430,077	0	430,077	0
2012 est.	1,999,852	140,000	2,139,852	399,852	0	399,852	(1,740,000)
2013 est.	1,999,852	140,000	2,139,852	399,852	0	399,852	(1,740,000)
2014 est.	1,999,852	140,000	2,139,852	1,999,852	140,000	2,139,852	0
2015 est.	1,999,852	140,000	2,139,852	1,999,852	140,000	2,139,852	0
2016 est.	1,999,852	140,000	2,139,852	1,999,852	140,000	2,139,852	0

Note: Chapter 487 of 2009 eliminated the payments to counties from park earnings for fiscal 2010 and 2011; thus, county payments in these years are based only on revenues generated from the sale of timber from forests. As a result of Chapter 487, DNR retained $1.9 million in fiscal 2010 and an estimated $2.0 million in fiscal 2011 that otherwise would have been paid to counties from park-related revenue. This exhibit does not reflect any potential future increase in timber harvest revenue that may occur as a result of language in the fiscal 2012 budget bill that expresses legislative intent that DNR increase the number of timber harvests in State forests in order to increase the amount of revenue generated.

Source: Department of Natural Resources; Department of Legislative Services

Local Effect: Local revenues from payments currently made by DNR decrease by an estimated $1.7 million in fiscal 2012 and 2013 due to the prohibition on revenue sharing payments to counties from park earnings. Decreases by county for fiscal 2012 are shown in **Appendix C5**.

Program Description: DNR is required to administer the Forest or Park Reserve Fund, the stated purpose of which is to enable DNR to purchase and manage in the name of the State, lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. All revenues generated from State forests and parks are paid into the fund.

DNR is also required to administer the Forest and Park Concession Account; its stated purpose is to finance the maintenance and operation of concession operations and the functions of State forests and parks. All money derived from concession operations in State forests and parks is paid into the account.

Each county in which any State forest or park reserve is located annually receives 15% of the net revenues derived from the reserve located in that county. If the forest or park reserve comprises 10% or more of its total land area, the county annually receives 25% of the net revenues derived from the reserve. The original intent of the county payments was to offset the loss in property taxes to counties in which the State owned a significant amount of acreage.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) prohibited DNR from making revenue sharing payments to counties from park earnings for fiscal 2010 and 2011 only.

Location of Provision(s) in the Bill: Section 1 (pp. 48-49)

Analysis prepared by: Andrew Gray

9-1-1 Trust Fund and State Police Information Technology Project

Provision in the Bill: Authorizes the use of $1,000,000 in fiscal 2012 special fund revenue from the State portion of the 9-1-1 fee on wired lines to be used to support the Computer Aided Dispatch/Records Management System (CAD/RMS) project in the Department of State Police (DSP).

Agencies: Department of Public Safety and Correctional Services; Department of Information Technology; and Department of State Police

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($1.0)	$0	$0	$0	$0
SF Exp	0	1.0	0	0	0	0

State Effect: General fund expenditures decrease by $1.0 million in fiscal 2012, with a corresponding increase in special fund expenditures, as special funds from the 9-1-1 Trust Fund will be used to support the CAD/RMS project instead of general funds. The fiscal 2012 State budget includes a $1.0 million general fund reduction for the Department of Information Technology, contingent on the enactment of legislation to allow 9-1-1 funds to be used for the project. The fund swap leaves a balance in the 9-1-1 Trust Fund of $4.0 million to support enhancements at Public Safety Answering Points throughout the State. A budget amendment will be required to appropriate the special funds in the DSP budget. Future years are not affected.

Local Effect: Although counties receive grants from the 9-1-1 fee, the fund swap is not anticipated to result in a reduction in grants provided to counties.

Program Description: The 9-1-1 Trust Fund, which is administered by the Department of Public Safety and Correctional Services, includes revenue from both a State and local surcharge that is assessed per bill for wired and wireless service. Revenue from the State fee is distributed to the Maryland counties at the discretion of the Emergency Number Systems Board in response to county 9-1-1 system enhancement requests.

Recent History: Federal legislation enacted in 2008 prohibits states from receiving any federal 9-1-1-related grant funding if 9-1-1 fee revenues were used for purposes other than those defined as an eligible expense in State and federal law. According to the federal legislation, eligible expenses for the 9-1-1 fees can include emergency services Internet protocol networks, which are defined as engineered, managed networks that are intended to be multipurpose, supporting public safety communications services, in addition to 9-1-1. This provision identifies the CAD/RMS project as an eligible expense for use of 9-1-1 fee revenues. The project received $5.0 million in special fund 9-1-1 fee revenue in fiscal 2011 pursuant to the Budget Reconciliation and Financing Act of 2010 (Chapter 484).

Location of Provision(s) in the Bill: Section 10 (p. 133)

Analysis prepared by: Rebecca J. Ruff

Maryland Heritage Areas Authority

Provision in the Bill: Authorizes the Maryland Department of Planning (MDP) to use an additional $500,000 of the Maryland Heritage Areas Authority's (MHAA) Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2012 only.

Agency: Maryland Department of Planning

Type of Action: Fund swap; special fund mandate relief

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
	(in dollars)					
GF Exp	$0	($500,000)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $500,000 in fiscal 2012 as $500,000 in additional POS special funds is redirected from the MHAA Grant Program to cover MDP operating expenses. The fiscal 2012 State budget includes a $500,000 general fund reduction for MDP, contingent on legislation authorizing the use of the MHAA special funds to cover MDP operating expenses.

Local Effect: Assuming an average grant amount of $41,740, 12 fewer MHAA grants will be awarded to local governments and nonprofit organizations in fiscal 2012 as a result of this provision.

According to MDP, the average MHAA grant leverages approximately $115,788 in non-State funds. Thus, reducing the MHAA grant funding by $500,000 may result in the loss of up to $1.4 million in leveraged non-State funds.

Program Description: POS, established in 1969 and administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. While bond funds were provided most recently, POS is principally funded through special funds derived from the State's property transfer tax. POS receives 75.15% of the total transfer tax revenues available for allocation, with further distribution of POS funds specified in statute. Up to $3.0 million of the total POS funds is allocated to the MHAA Financing Fund. Under current law, up to 10% of the POS funds allocated to MHAA may be used to pay MHAA operating expenses.

MHAA was established in 1996 to foster heritage tourism by providing technical and financial assistance to create additional historic and cultural destinations within the State. Maryland's 11 heritage areas are locally designated and State certified regions where public and private partners make commitments to preserving historical, cultural, and natural resources for sustainable economic development through heritage tourism. MHAA plans to award a total of $2.7 million in grants in fiscal 2011.

Recent History: In fiscal 2002, the State transferred $3.0 million from the MHAA Financing Fund to the general fund in accordance with Chapter 440 of 2002. Chapter 209 of 2005 increased the amount of POS funding that may be transferred to the MHAA Financing Fund from $1.0 million to up to $3.0 million.

Location of Provision(s) in the Bill: Section 1 (p. 34)

Analysis prepared by: Amanda M. Mock

Strategic Energy Investment Fund

Provision in the Bill: Alters the distribution of proceeds from the Regional Greenhouse Gas Initiative (RGGI) quarterly carbon dioxide emission allowance auctions in the Maryland Strategic Energy Investment Fund (SEIF) for fiscal 2012 through 2014, as shown in **Exhibit 12**.

Exhibit 12
Distribution of RGGI Auction Proceeds from SEIF
Under Current Law and under the Bill

	Current Law for Fiscal 2012	Current Law Starting in Fiscal 2013	Proposed Allocation for Fiscal 2012-2014
Energy assistance for the Electric Universal Service Program (EUSP) and other electricity assistance programs	Up to 50%	17%	Up to 50%
Residential Rate Relief	23%	23%	0%
Energy Efficiency and Conservation Programs (at least one-half for low- and moderate-income programs)	At least 17.5%	At least 46%	At least 20%
Renewable and clean energy programs; public energy-related education and outreach; and climate change programs	At least 6.5%	Up to 10.5%	At least 20%
Administrative Expenses	Up to 3%, but no more than $4.0 million	Up to 3.5%, but no more than $4.0 million	Up to 10%, but no more than $4.0 million

Source: Department of Legislative Services

Agencies: Maryland Energy Administration; Department of Human Resources

Type of Action: Fund swap

Fiscal Impact:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	(in dollars)					
GF Exp	$0	($480,218)	decrease	decrease	$0	$0

State Effect: General fund expenditures decrease by an estimated $480,218 in fiscal 2012 due to the increase in the percentage of SEIF funds allocated to the Maryland Energy Administration (MEA) for administrative expenditures. In the absence of this provision, it is assumed that general funds would need to be used to maintain fiscal 2012 administrative expenditures at the fiscal 2011 level.

In fiscal 2013 and 2014, the increase in the percentage of SEIF funds allocated for MEA administration and for the Department of Human Resources' (DHR) electricity assistance programs is likely to result in a decrease in general funds needed for program administration; however, a reliable estimate of any such decrease cannot be made at this time. To the extent the increase in the percentage of funds allocated to MEA for administration allows a fund balance to build up, it is possible that general fund expenditures for MEA could decrease beyond fiscal 2014, but any such decrease is speculative at this time.

Overall special fund expenditures are not affected. The bill simply redistributes the special funds among various programs and eliminates the rate relief program through fiscal 2014. The fiscal 2012 State budget assumes that $35.1 million of SEIF revenue will be available from the auction proceeds and distributes those funds as follows:

- $17.1 million for energy assistance in DHR (49% of proceeds);

- $1.3 million for residential rate relief (available as a result of Auction 12 held during June 2011 and allocated under current law);

- $3.9 million for energy efficiency and conservation programs – low- and moderate-income sectors ($427,630 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF) (11% of proceeds);

- $3.4 million for energy efficiency and conservation programs – all other sectors ($427,630 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF) (10% of proceeds);

- $7.2 million for renewable and clean energy programs, energy-related education and outreach, and climate change programs ($4,618,404 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF) (21% of proceeds);

- $1.7 million for administrative expenditures ($480,218 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF). This is 5% of proceeds, less than the 10% allocated to MEA for administration under this bill; thus, some funds will be available for future use; and

- $450,000 for dues paid by the Maryland Department of the Environment to RGGI, Inc.

The fiscal 2012 State budget includes SEIF revenue from Auction 12, distributed pursuant to the Budget Reconciliation and Financing Acts of 2009 and 2010 (Chapters 487 and 484, respectively), for the Rate Relief Program, Energy Efficiency and Conservation Programs-Low and Moderate Income Sector, Renewable and Clean Energy, Climate Change, Energy-related Education and Outreach, and Administration. SEIF revenue from Auction 12 was budgeted in fiscal 2011 for Energy Assistance and Energy Efficiency-All Other Sectors.

Local Effect: Local governments may be affected in fiscal 2012 through 2014 to the extent that the adjustment of distributions affects the funding available for grants or loans to local governments.

Program Description: SEIF was created pursuant to Chapters 127 and 128 of 2008 to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. The fund's primary source of revenue is proceeds from the sale of carbon dioxide emission allowances sold at quarterly RGGI auctions. SEIF also receives revenue from the Alternative Compliance Payments required under the Renewable Portfolio Standard; however, revenue from those payments is not subject to the statutory allocation described above.

DHR's EUSP provides assistance with electric bills and electric bill arrearages to individuals earning between 0.0% and 175.0% of federal poverty guidelines. This program also receives funding from a surcharge on ratepayer bills.

The Public Service Commission determines the rate relief credit following the quarterly RGGI auctions. The credit is distributed to ratepayers on their monthly electric bills. The flat rate credit is typically in effect for three months. The monthly credit in December 2010, January 2011, and February 2011, based on revenue from Auction 9, was $0.38.

Recent History: Chapter 487 of 2009 established an adjusted distribution of revenues from RGGI auctions held between March 1, 2009, and June 30, 2011. Chapter 484 of 2010 continued this adjusted distribution for auctions held through June 30, 2012.

Chapter 490 of 2010 provided for transfers totaling approximately $2.5 million from SEIF to the Transportation Trust Fund from fiscal 2011 through 2013 to replace lost revenue from the excise tax credit for electric vehicles established by that Act. Chapter 402 of 2011 requires transfers from SEIF to the general fund in fiscal 2013 through 2015 to replace lost revenue from a tax credit for electric vehicle charging equipment.

Location of Provision(s) in the Bill: Section 17 (pp. 135-136)

Analysis prepared by: Tonya D. Zimmerman

Traffic Conviction Surcharges – Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program

Provision in the Bill: Requires an amount annually set forth in the State budget from the $7.50 surcharge on certain traffic convictions to be distributed to the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program. Any amount collected from the surcharge after the distribution to the Riley program is credited to the Maryland Emergency Medical Systems Operation Fund (MEMSOF). However, before any distributions to MEMSOF in fiscal 2012 and 2013, the Volunteer Company Assistance Fund (VCAF) receives $8,201,311 in fiscal 2012 and $2,114,000 in fiscal 2013.

Agencies: Military Department; Maryland State Firemen's Association; Maryland Higher Education Commission; Maryland Institute for Emergency Medical Systems Services

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$0	($6.8)	($8.5)	($8.5)	($8.5)
SF Rev	0	0	6.8	8.5	8.5	8.5
GF Exp	0	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
SF Exp	0	0.3	0.3	0.3	0.3	0.3

State Effect: General fund expenditures decrease by $340,979 in fiscal 2012 due to the use of special fund traffic conviction surcharge revenues to support the Riley program. The fiscal 2012 State budget includes a general fund reduction of this amount that is contingent on the enactment of legislation authorizing the redirection of traffic violation surcharges. The budget also authorizes the processing of a special fund budget amendment to replace the deleted general funds.

Under current law, revenues from traffic conviction surcharges are deposited in VCAF until total VCAF revenues reach $20 million. At the end of fiscal 2011, VCAF is expected to have accumulated $9.7 million in deposits. This bill allocates the additional $10.3 million needed for VCAF to reach the goal in fiscal 2012 ($8.2 million) and 2013 ($2.1 million). Although VCAF will receive slightly less revenue in fiscal 2012 due to the diversion of surcharge revenues to the Riley program, it is still expected to achieve the $20 million goal in fiscal 2013.

After VCAF receives the required levels of funding for fiscal 2012 and 2013, new traffic conviction surcharge revenues will be deposited in MEMSOF. These funds would have been distributed to the general fund under current law. Thus, general fund revenues decrease by an estimated $6.8 million in fiscal 2013 and MEMSOF special fund revenues increase by an equivalent amount.

Traffic conviction surcharges are expected to generate $8.5 million annually in future years. Instead of supporting the general fund, the surcharges will instead fund the Riley program (estimated at a stable level of $340,979 annually) and MEMSOF (approximately $8.2 million per year).

Program Description: The Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program provides reimbursement of tuition costs up to $6,500 annually for courses leading to a degree in fire service technology or emergency medical technology at an accredited Maryland institution. In fiscal 2010, 125 individuals received reimbursement through the program.

Chapter 240 of 2000 established VCAF, which is administered by the Maryland State Firemen's Association and the Military Department. The purpose of VCAF is to provide grants and loans to volunteer fire, rescue, and ambulance companies for the purchase, replacement, or improvement of firefighting and rescue equipment or facilities. The fund receives revenues from a $7.50 surcharge on most traffic convictions.

MEMSOF provides budget support for Maryland's emergency medical services system through a $22 biennial surcharge on motor vehicle registrations for certain classes of vehicles. MEMSOF may be used for (1) the Department of State Police, Aviation Division; (2) the Maryland Institute for Emergency Medical Services Systems; (3) the R. Adams Cowley Shock Trauma Center; (4) the Maryland Fire and Rescue Institute; (5) local grants under the Senator William H. Amoss Fire, Rescue, and Ambulance Fund; and (6) VCAF. Current estimates of MEMSOF revenues and expenditures suggest that the fund will not be viable after fiscal 2013 without the benefit of additional revenues. This bill provides an additional revenue source for the fund in order to sustain the services supported by MEMSOF beyond fiscal 2013.

Recent History: Chapter 416 of 2006 required that half of the surcharges on some traffic convictions be allocated to the State Police Helicopter Replacement Fund and half to VCAF. Chapter 735 of 2010 expanded the application of the fees to apply to nearly all traffic convictions and amended the distribution to require that all of the surcharge revenues be allocated to VCAF until $20 million has been credited to the fund. After the $20 million goal is reached, surcharges were instead to be credited to the general fund. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) required that 75% of the revenues generated from the surcharges be distributed to the general fund in fiscal 2010, with the remaining 25% credited to VCAF.

From fiscal 2007 to 2010, $3.3 million was credited toward the $20 million target for VCAF. Surcharge revenues are expected to total $6.4 million in fiscal 2011 and $8.5 million annually thereafter.

Chapter 484 of 2010 also altered the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program to allow full *or partial* tuition reimbursements under the program. The Riley program has been appropriated $340,979 annually since fiscal 2010, although program expenditures vary based on award cancellations and transfers into the program from other scholarship sources.

Location of Provision(s) in the Bill: Sections 1 and 35 (pp. 17-18, 125, and 144)

Analysis prepared by: Rachel N. Silberman and Mark W. Collins

Fees for Academic Program Reviews

Provision in the Bill: Authorizes the Maryland Higher Education Commission (MHEC) to charge fees for conducting academic program reviews for institutions of postsecondary education (with the exception of reviews of actions relating to regional higher education centers) and redirects revenues collected from out-of-state institutions seeking approval to operate in Maryland from the general fund to a special fund established to collect fees from the institutions. The new special fund may be used only for conducting academic program review and approval activities. At the end of each fiscal year, any amount in the special fund in excess of $100,000 must revert to the general fund, and any investment earning of the fund must be credited to the general fund.

Agency: Maryland Higher Education Commission

Type of Action: Fund swap; new fees

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	($93,000)	($109,000)	($109,000)	($109,000)	($109,000)
SF Rev	0	255,150	275,850	275,850	275,850	275,850
GF Exp	0	(253,208)	(258,272)	(263,437)	(268,706)	(274,080)
SF Exp	0	253,208	258,272	263,437	268,706	274,080
HE Exp	0	58,900	58,900	58,900	58,900	58,900

State Effect: General fund revenues decrease by an estimated $93,000 in fiscal 2012 due to the redirection of fees paid by out-of-state institutions of postsecondary education seeking certification of approval to operate in Maryland. Based on a fee schedule proposed by MHEC, special fund revenues collected from out-of-state and in-state institutions increase by an estimated $255,150 in fiscal 2012. The fees will range from $50 for reviews requiring minimal administrative effort to $7,500 or more for out-of-state institutions requesting approval to operate or continue operating in Maryland. Fiscal 2012 general fund expenditures decrease by $253,208 contingent on the enactment of legislation authorizing MHEC to charge fees for conducting program reviews. The fiscal 2012 State budget grants authorization to process a special fund budget amendment of up to this amount to be paid from the new special fund.

Academic program review fees would be paid by the public four-year institutions, community colleges, and in-state and out-of-state private colleges and universities. MHEC data suggest that approximately $134,000 in revenues will be collected annually from in-state institutions. Public four-year institutions are expected to account for approximately 42% of this total, and the 16 community colleges (which are operated locally with the exception of Baltimore City Community College (BCCC)) will account for approximately one-third of revenues from in-state institutions. Accordingly, fiscal 2012 higher education expenditures by public four-year institutions and BCCC increase by an estimated $58,900 in the aggregate.

Future years use MHEC fiscal 2013 estimates of revenues from out-of-state institutions (including certification renewals) and assume a steady rate of in-state academic program review revenues and 2% annual growth in MHEC costs for program review and approval. The estimates assume that a small special fund balance will accrue from fiscal 2012 through 2016.

Local Effect: Community college expenditures will increase to pay fees to modify, add, and discontinue academic programs. Increases will depend on the number of requests colleges submit to MHEC, but the increases are not expected to represent a significant cost to any one college. In total, the fees paid by all colleges are expected to average about $50,000 annually.

Program Description: MHEC oversees the postsecondary education academic program approval and review process. Postsecondary education institutions submit requests to begin offering new programs, discontinue programs, suspend programs, or reactivate programs. In prior years, MHEC has noted that it receives between 450 and 500 program review requests annually.

There are eight regional higher education centers around the State, two operated by the University System of Maryland (USM) and six that are operated independently. MHEC is responsible for approving the mission statements of the centers, ensuring that the programs and courses offered are within the scope of the approved mission statements, making recommendations for State funding for the centers, and administering operating funding for the six independent centers. USM administers operating funding for the two centers it runs.

Recent History: The fiscal 2012 State budget includes $6.3 million for all of MHEC's administrative functions.

Location of Provision(s) in the Bill: Section 1 (p. 23)

Analysis prepared by: Caroline L. Boice and Mark W. Collins

Payroll Attachment Fee

Provision in the Bill: Authorizes the Comptroller to deduct and retain a $2 processing fee for State employee payroll garnishments made via the attachment process. The bill also authorizes county and municipal governments in Maryland to retain a $2 processing fee from their employees.

Agency: Comptroller's Office

Type of Action: Fund swap; new fees

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$50,000	$50,000	$50,000	$50,000	$50,000
GF Exp	0	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
SF Exp	0	50,000	50,000	50,000	50,000	50,000

State Effect: Special fund revenues and expenditures increase by $50,000 beginning in fiscal 2012. The fiscal 2012 State budget includes a $50,000 reduction in general fund expenditures for the Comptroller's Central Payroll Bureau contingent on the enactment of legislation establishing the fee for attachment. The additional special funds will replace the general fund expenditures.

Local Effect: If local governments utilize the authority, local revenues will increase with the establishment of payroll attachment fees.

Program Description: The Central Payroll Bureau provides payroll services for permanent and contractual employees in all of the branches of Maryland State government. The Comptroller remits approximately 1,000 garnishments per pay cycle.

Recent History: This provision was included in the proposed Budget Reconciliation and Financing Act of 2010 but was removed from the bill in conference committee.

Location of Provision(s) in the Bill: Section 1 (p. 13)

Analysis prepared by: Chantelle M. Green

State Retirement and Pension System

Provisions in the Bill: Restructure retirement eligibility, member contributions, and pension benefits for almost all current and future members of the State Retirement and Pension System (SRPS), with particular emphasis on members of the Employees' Pension System (EPS) and Teachers' Pension System (TPS). The provisions are divided between those that affect current members and those that affect only future members hired after June 30, 2011. The changes also affect current and future members of participating governmental units (PGUs); with regard to EPS, only employees of PGUs that currently participate in the Alternate Contributory Pension Selection (ACPS) are affected.

Current SRPS Members (Hired Before July 1, 2011)

- ***Cost-of-living Adjustments (COLAs):*** For service credit earned after June 30, 2011, the annual COLA will be linked to the performance of the SRPS investment portfolio. If the portfolio earns its actuarial target rate (currently 7.75%), the COLA is subject to a 2.5% cap. If the portfolio does not earn the target rate, the COLA is subject to a 1% cap. For service credit earned before July 1, 2011, the COLA provisions in effect during that time still apply for each plan. The COLA provisions do not apply to current or future retirees of the Judges' Retirement System (JRS) or the Legislative Pension Plan (LPP) because their benefit increases are linked to the salaries of current judges and legislators, respectively, and not to the Consumer Price Index.

- ***Member Contributions:*** Member contributions for current active members of EPS and TPS increase from 5% of earnable compensation to 7% of earnable compensation. Member contributions for current active members of the Law Enforcement Officers' Pension System (LEOPS) increase from 4% to 6% in fiscal 2012 and from 6% to 7% beginning in fiscal 2013. Member contribution rates for other SRPS plans remain unchanged.

Future SRPS Members (Hired After June 30, 2011)

- ***Changes Affecting All Plans (Except JRS and LPP):*** For all new members of SRPS, except for JRS and LPP, vesting increases from 5 to 10 years. The calculation of average final compensation (AFC) used to calculate retirement allowances will be based on the five consecutive years that provide the highest average compensation, rather than three years. Also, when members retire, their annual automatic COLAs will be subject to the same contingent caps described above, based on the system's investment performance.

- ***EPS and TPS:*** New members of EPS/TPS will pay a member contribution of 7% and receive a retirement allowance equal to 1.5% of AFC for each year of creditable service (compared with 1.8% for current members). They will qualify for a normal service retirement benefit either upon reaching age 65 with at least 10 years of service or when the sum of their age and years of service reaches 90 (compared with age 62 with 5 years of service or 30 years of service regardless of age for current members). They will also qualify for a (reduced) early retirement benefit at age 60 with at least 15 years of service (compared with age 55 for current members).

- ***LEOPS and State Police:*** Member contributions for new members of LEOPS are 6% in fiscal 2012 and 7% beginning in fiscal 2013. New members of the State Police Retirement System (SPRS) qualify for a normal service retirement upon reaching age 50 or with 25 years of service regardless of age (up from 22 years of service for current members). Members of LEOPS and SPRS continue to be eligible for the Deferred Retirement Option Program (DROP), but members who enter DROP after June 30, 2011, receive a lower interest rate on their DROP accounts. The pension reform provisions reduce the interest earned on DROP accounts from 6% interest compounded monthly to 4% interest compounded annually.

Pension Finance Provisions

The pension reform provisions establish a goal of reaching 80% actuarial funding within 10 years by reinvesting a portion of the savings generated by the benefit restructuring into the pension system in the form of increased State contributions above the contribution required by statute. In fiscal 2012 and 2013, all but $120 million of the savings generated by the benefit restructuring are reinvested, with the $120 million dedicated to budget relief each year. Beginning in fiscal 2014, the amount reinvested in the pension fund is subject to a $300 million cap, with any savings over that amount dedicated to budget relief.

Administration of Pension Restructuring

The bill also allows the State Retirement Agency (SRA) to rehire retired SRA employees for up to one year to help with the implementation of pension restructuring. Rehired retirees will not be subject to an allowance reduction. This exception to current law earnings limitations for rehired retirees terminates June 30, 2012.

Agencies: All

Type of Action: Cost control

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($104.0)	($104.0)	($50.4)	($68.8)	($89.8)
SF Exp	0	(8.0)	(8.0)	(4.8)	(6.6)	(8.6)
FF Exp	0	(8.0)	(8.0)	(4.8)	(6.6)	(8.6)

State Effect: Under the provisions of the bill, a portion of the reduction in State contribution rates resulting from the benefit restructuring is still paid to the pension trust fund to reduce the system's unfunded liabilities. In fiscal 2012 and 2013, State pension contributions decrease by $120.0 million, as specified in the statute, of which $104.0 million is general funds and the remaining $16.0 million is evenly divided between special and federal funds.

Beginning in fiscal 2014, up to $300 million is reinvested in the pension trust fund and therefore is not counted toward State savings. The estimated net savings after the reinvestment is $60.0 million in fiscal 2014, $82.0 million in fiscal 2015, and $107.0 million in fiscal 2016, and continues to grow in the out years. Those savings are also allocated among general, special, and federal funds, as reflected above.

Local Effect: Total pension liabilities for PGUs decrease by $7.0 million, and the normal cost decreases by $32.3 million. Amortizing the decrease in accrued liabilities over 25 years and adding the full normal cost savings results in PGU pension contributions decreasing by $33.8 million in fiscal 2012. This savings is spread among approximately 120 PGUs, and is assumed to continue to accrue annually according to actuarial assumptions.

State payments for the retirement costs of local school, library, and community college employees decrease by $79.9 million in fiscal 2012 and by approximately the same amount again in fiscal 2013 due to the fiscal 2012 and 2013 savings assumed in the bill. The fiscal 2012 decreases are shown by county in **Appendix C4**.

Program Description: SRPS includes multiple defined benefit pension plans for State employees and teachers. **Exhibit 13** summarizes the key elements of the major plans, as they stood prior to the pension restructuring provisions in this bill. Because it is not affected by the provisions addressed in this analysis, the Legislative Pension Plan is not included.

Exhibit 13
Key Characteristics of State Retirement and Pension Plans
Prior to Pension Restructuring in this Bill

	Employees and Teachers	State Police	Correctional Officers' System	Law Enforcement Officers' System	Judges
Participation	Condition of employment	Condition of employment	Condition of employment	Condition of employment	Condition of employment
Vesting	5 years of service	5 years of service	5 years of service	5 years of service	Immediate
Employee Contribution	5% of salary	8% of salary	5% of salary	4% of salary	6% of salary (for 16 years)
Service Retirement Conditions	Age 62 or 30 years (Age 55 with 15 years reduced benefit)	Age 50 or 22 years of service	20 years service, with at least the last 5 years as correctional officer	Age 50 or 25 years of service	Age 60
Allowance	1.8% per year of service after 7/1/98; plus 1.2% per year of service prior to 7/1/98	2.55% per year of service	1.8% per year of service	2.0% per year if subject to the LEOPs modified pension benefit; otherwise 2.3% for first 30 years and 1.0% for each year thereafter	2/3 of active judge's salary at 16 years
Post Retirement Adjustments	Limited to 3% annual COLA	Unlimited annual COLA	Unlimited annual COLA	Limited to 3% annual COLA	Based on salary of active judges

COLA = cost-of-living adjustment
Source: Department of Legislative Services

The State pays the full employer contribution for teachers with general funds; the employer contributions for State employees are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds.

The DROP program allows members of SPRS and LEOPS to officially "retire" but to continue working and earning their salary for up to four or five years, respectively. During their time in DROP, members' retirement allowances and COLAs are deposited into individual accounts that earn 6% interest compounded monthly. When they finish their time in DROP, they receive a lump-sum distribution of their DROP account balances.

Approximately 120 local government entities participate in SRPS as PGUs. They are authorized to participate in EPS, LEOPS, and the Correctional Officers' Retirement System. PGUs are responsible for paying the full employer costs for their employees. With regard to EPS, only eight PGUs do not participate in ACPS.

Recent History: Chapter 110 of 2006 provided a retroactive benefit enhancement to members of EPS and TPS. It increased their benefit multiplier from 1.4% to 1.8% for service credit earned after June 30, 1998. It also increased the member contribution rate from 2% to 5%, which was phased in over three years.

The general benefit framework for other SRPS plans has not changed in recent years.

Location of Provision(s) in the Bill: Sections 1 and 27 (pp. 65-105 and 140)

Analysis prepared by: Michael C. Rubenstein

State Employee Merit Increases

Provision in the Bill: Prohibits merit increases for State employees prior to April 1, 2014. The provision does not affect (1) salaries for constitutional officers or members of the General Assembly; (2) increases necessary to retain faculty at public four-year institutions of higher education; (3) payments made pursuant to a collective bargaining agreement that covers certain transportation workers; and (4) for fiscal 2012 only, operationally critical staff.

By December 1, 2011, the Department of Budget and Management, the University System of Maryland, Morgan State University, and St. Mary's College of Maryland must each submit a report to specified committees of the General Assembly that details the policies adopted to designate operationally critical staff, all staff identified as critical, and any merit increases awarded as a consequence of this designation.

Agencies: All

Type of Action: Cost control

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($63.3)	($128.1)	($178.7)	($134.3)	($137.6)
SF Exp	0	(16.9)	(34.2)	(47.7)	(35.9)	(36.7)
FF Exp	0	(9.7)	(19.7)	(27.5)	(20.7)	(21.2)
Reim Exp	0	(0.8)	(1.6)	(2.3)	(1.7)	(1.8)
HE Exp	0	(15.1)	(30.6)	(42.7)	(32.1)	(32.9)

State Effect: State expenditures for employee merit increases decrease by $105.9 million in fiscal 2012, including a $63.3 million general fund reduction. Expenditure reductions reflect the elimination of merit increases as well as the associated Social Security payments and retirement contributions for Executive, Legislative, and Judicial branch employees, including employees of public institutions of higher education. These reductions are assumed in the fiscal 2012 State budget. The estimate reflects payments expected to be made pursuant to a collective bargaining agreement covering certain transportation workers. However, the number of operationally critical staff will not be known until after the required reports are submitted to the General Assembly; thus, the estimate does not account for an unknown number of critical staff who may receive merit increases in fiscal 2012. Accordingly, savings could be less.

Future year expenditure reductions reflect ongoing savings from the prohibition (estimated to increase by 2.4% annually) but assume that merit increases resume beginning April 1, 2014. Savings in fiscal 2015, therefore, are less than the savings achieved in fiscal 2014 since merit increases are expected to be awarded in April 2014, increasing the salary base for fiscal 2015 and 2016.

Recent History: Merit increases are salary increments that are allotted to employees who meet or exceed performance expectations. Annual merit increases typically average 2.4% (cost-of-living increases are typically 2.0% annually). Merit increases and annual salary review reclassifications (as well as cost-of-living increases) were not awarded in fiscal 2003, 2004, 2010, or 2011. Performance bonuses have not been awarded since fiscal 2002. Similar provisions were included in budget reconciliation legislation for fiscal 2010 and 2011.

This provision of the bill is part of a larger multi-year employee compensation plan contained in the January 2011 memorandum of understanding between the Administration and the American Federation of State, County, and Municipal Employees. A schedule of salary increases is contemplated, as are cost-shifting measures related to the employee health insurance plan and the forbearance of other statutory salary increases. The agreement items contemplated are a one-time $750 bonus effective July 1, 2011 ($39.2 million in general funds, $10.7 million in special funds, and $5.5 million in federal funds is included in the fiscal 2012 State budget to provide the bonus); health insurance premium cost shift, employees' share up 5% in fiscal 2013; 2% cost-of-living adjustment effective January 1, 2013; 3% cost-of-living adjustment effective January 1, 2014; and one salary-grade step increase effective April 1, 2014.

There are more than 80,000 employees of Maryland's Executive, Legislative, and Judicial branches of government.

Location of Provision(s) in the Bill: Section 24 (p. 139)

Analysis prepared by: Michael T. Vorgetts and Dylan R. Baker

Retiree Prescription Drug Plan

Provisions in the Bill: Authorize the establishment of separate health insurance benefit options for retirees that differ from those for active State employees, specify the prescription drug benefit for retirees beginning July 2011, and discontinue prescription drug benefits for Medicare-eligible retirees in fiscal 2020.

Agencies: Multiple

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($13.9)	($14.7)	($15.6)	($16.6)	($17.5)
SF Exp	0	(3.4)	(3.6)	(3.8)	(4.0)	(4.3)
FF Exp	0	(2.3)	(2.4)	(2.6)	(2.7)	(2.9)
Reim Exp	0	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
HE Exp	0	(3.6)	(3.8)	(4.1)	(4.3)	(4.6)

State Effect: Expenditures decrease by $23.4 million in fiscal 2012, including a general fund decrease of $13.9 million, due to changes made to the retiree prescription drug plan. Currently, retirees are pooled into the same prescription plan as active employees. The bill specifies that the retiree prescription benefit will continue to have the same copayments, coinsurance, and deductible that apply to the benefit for active State employees. However, the out-of-pocket maximum for active employee prescription coverage will be $1,000 for individuals and $1,500 for families in fiscal 2012, while the retiree plan will have maximums of $1,500 for individuals and $2,000 for families. Also, retirees will pay 25% of the premium for prescription coverage in fiscal 2012, while active employees continue to pay 20%. There will also be expenditure savings due to the planned changes to the prescription drug copayments for active State employees which under the bill also apply to retirees. In fiscal 2012 and beyond, the copayments for prescriptions will increase from $5 for generics, $15 for formulary, and $25 for nonformulary brand name drugs to $10, $25, and $40 respectively. The savings from the changes to the retiree prescription drug plan are included in the fiscal 2012 State budget and are contingent on the enactment of legislation creating a separate prescription drug plan for retirees, as executed by the bill. Savings in future years are expected to grow at 6% per year.

The bill also calls for the State to eliminate the retiree prescription drug benefit altogether in fiscal 2020, as retirees will have access to the expanded coverage of federally supported offerings at that time. In conjunction with the lower annual State costs associated with the new retiree-only prescription plan, the State's unfunded Other

Postemployment Benefits (OPEB) liability is reduced from approximately $15.9 billion to $9.0 billion. The OPEB liability declines significantly from the removal of any projected prescription costs for retirees after fiscal 2019.

Program Description: The retiree prescription drug program provides insurance coverage for retirees from State service within the larger State Employee and Retiree Health and Welfare Benefits Program (State plan). Overseen by the Department of Budget and Management, the State plan currently contracts with Catalyst as the State's pharmacy benefits manager. Catalyst is charged with developing and administering the new retiree-only program, as directed by the Administration.

Location of Provision(s) in the Bill: Section 1 (pp. 60-61 and 64)

Analysis prepared by: Dylan R. Baker

Retiree Eligibility for State Health Benefits

Provisions in the Bill: Redefine eligibility requirements of future State employees for health and prescription drug coverage upon retirement. To qualify for retiree health and prescription drug coverage under the current requirements, a State employee must:

- end State service with at least 10 years of creditable service and within 5 years before the age at which a vested retirement allowance normally would begin;
- end State service with at least 16 years of creditable service;
- retire directly from State service with a State retirement allowance and have at least 5 years of creditable service; or
- retire directly from State service with a State disability retirement allowance.

The current State subsidy of the premium needed to obtain coverage in a health plan is provided as 1/16 for each year of the retiree's creditable service up to 16 years.

The bill does not alter these criteria for individuals that began State service on or before June 30, 2011; however, an individual hired on or after July 1, 2011, will be required to meet a higher threshold to qualify for retiree health care and prescription drug coverage. New hires will have to:

- end State service with at least 25 years of creditable service;
- end State service with at least 10 years of creditable service within 5 years before the age at which a vested retirement allowance normally would begin;
- retire directly from State service with a State retirement allowance and have 10 years of creditable service; or
- retire directly from State service with a State disability retirement allowance.

The State subsidy for retirees hired on or after July 1, 2011, is 1/25 for each year of the retiree's creditable service up to 25 years.

Agencies: All

Type of Action: Cost control; reduction in future liabilities

Fiscal Impact: No immediate impact on revenues or expenditures

State Effect: The changes to future employees' eligibility for post-retirement health benefits will be reflected each year in the valuation of the State's Other Postemployment Benefits (OPEB) liabilities. The reduction in liabilities that results from the bill is a function of the number and tenure of new hires, and thus cannot be valued in advance.

Location of Provision(s) in the Bill: Section 1 (pp. 57-64)

Analysis prepared by: Dylan R. Baker

Rates for Nonpublic Placements and Residential Child Care Group Homes

Provision in the Bill: Holds the fiscal 2012 rates for nonpublic special education placements and for residential child care providers that have their rates set by the Interagency Rates Committee (IRC) at the rates in effect on January 21, 2011.

Agencies: Maryland State Department of Education; Department of Human Resources; Department of Juvenile Services

Type of Action: Cost control

Fiscal Impact:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	($ in millions)					
GF Exp	$0	($9.7)	($10.1)	($10.5)	($10.9)	($11.4)
FF Exp	0	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)

State Effect: General fund expenditures for nonpublic special education placements and residential child care group home providers decrease by an estimated $9.7 million in fiscal 2012 due to the freeze on provider rates. This reduction includes savings of an estimated $5.7 million for nonpublic placement costs and savings of an estimated $4.0 million for Department of Human Resources (DHR) and Department of Juvenile Services (DJS) group home costs. A federal fund savings of $1.1 million for residential group homes costs is also projected. The Department of Health and Mental Hygiene (DHMH) places very few children in placements receiving rates from IRC; therefore, no savings from the rate freeze are assumed for DHMH. The fiscal 2012 State budget does not include the funds that would be needed to support increases in provider rates.

Future year estimates of savings assume that future rates will be built off the lower fiscal 2012 base amounts.

Local Effect: The limit on provider rates will reduce local board of education costs for nonpublic special education placements. Under current law, a local school system pays its respective local share of the basic cost of education for each nonpublic placement plus two times the total basic cost of education in the system, as well as 30% of any expense above that sum.

Program Description: Most students with disabilities receive special education services in the public schools. If an appropriate program is not available in the public schools, however, a student may be placed in a private school offering more specialized services. The costs for these students, who are placed in nonpublic day or residential facilities, are shared by the local school systems and the State, with the State paying 70% of the costs above the base local funding amount.

IRC establishes rates for certain out-of-home residential services for children. The committee includes representatives from the Department of Budget and Management, DHMH, DHR, DJS, the Maryland State Department of Education, and the Governor's Office for Children.

Recent History: For nonpublic special education placements, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) limited growth in the fiscal 2010 rates to 1% above the fiscal 2009 rates.

For child care group home providers whose rates are set through the IRC process, cost containment actions taken by the Board of Public Works in fiscal 2009 reduced rates by 1%. Chapter 487 of 2009 then held the rates at the reduced levels for fiscal 2010.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then froze both nonpublic and group home provider rates for fiscal 2011. This bill continues the rate freezes for nonpublic placements and group home providers for an additional year.

Location of Provision(s) in the Bill: Section 23 (p. 138)

Analysis prepared by: Mark W. Collins

Per Pupil Foundation Amount

Provision in the Bill: Holds the per pupil foundation amount used in many of the large State education aid formulas at its fiscal 2011 level of $6,694 for fiscal 2012 aid calculations.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($35.3)	($35.9)	($40.1)	($41.4)	($42.9)

State Effect: Mandated general fund expenditures decrease by $35.3 million in fiscal 2012 due to the $55 reduction in the per pupil foundation amount that results from the elimination of an inflation factor. This includes a $22.8 million decrease in foundation program aid, a $1.0 million reduction in aid for the geographic cost of education index (GCEI), and decreases of $8.7 million, $2.1 million, and $1.3 million for the compensatory education, special education, and limited English proficiency formulas, respectively. The decreases are offset somewhat by a $708,409 increase in guaranteed tax base funding. The fiscal 2012 State budget includes adjustments to the funding levels for these programs that are contingent on legislation reducing the per pupil foundation amount from its mandated level of $6,749. Future year decreases reflect inflation and projected student population changes growing off the new lower base per pupil amount.

Reductions in State aid beginning in fiscal 2012 will also slow the growth of teachers' retirement costs, which are paid by the State on behalf of local school systems. The majority of funding for local school systems supports personnel costs, so reducing State aid to school systems is likely to reduce the number of new personnel hired by school systems and/or reduce growth in the salaries of existing school staff. Either of these outcomes will slow growth in the professional salary bases of local school systems and reduce future retirement costs. Reductions are estimated at $3.7 million in fiscal 2014 and $4.3 million by fiscal 2016. **Exhibit 14** shows projected reductions in general fund expenditures in fiscal 2012 through 2016.

Exhibit 14
Estimated Impact on General Fund Expenditures by Education Aid Program
Fiscal 2012-2016
($ in Millions)

Program	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Foundation Program	($22.8)	($22.8)	($22.9)	($23.5)	($24.0)
Geographic Cost Index	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)
Compensatory Education	(8.7)	(9.1)	(9.3)	(9.5)	(10.1)
Special Education Formula	(2.1)	(2.1)	(2.2)	(2.3)	(2.3)
Limited English Proficiency	(1.3)	(1.4)	(1.6)	(1.8)	(2.0)
Guaranteed Tax Base	0.7	0.7	0.7	0.7	0.8
Direct Aid Subtotals	**($35.3)**	**($35.9)**	**($36.4)**	**($37.3)**	**($38.6)**
Teachers' Retirement	0.0	0.0	(3.7)	(4.0)	(4.3)
Grand Total	**($35.3)**	**($35.9)**	**($40.1)**	**($41.4)**	**($42.9)**

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Local Effect: Direct State aid to local public school systems is reduced by $35.3 million in fiscal 2012. Future year reductions reflect projected student population increases and inflation. The fiscal 2012 reductions are shown by county in **Appendix C1**.

Program Description: For fiscal 2012 through 2015, current law inflates the per pupil foundation amount by the lesser of (1) the increase in the Implicit Price Deflator for State and Local Government Purchases (IPD); (2) the increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore Metropolitan Area; or (3) 1%. Without the bill's reduction, the per pupil amount for fiscal 2012 is $6,749, a 0.8% increase over the fiscal 2011 per pupil funding level of $6,694. Beginning in fiscal 2016, inflation is capped at 5% instead of the 1% limit in place for fiscal 2012 through 2015.

The majority of State education aid is distributed to local school systems through formulas that are based primarily on student enrollments and local wealth. The per pupil foundation amount affects State funding under the foundation program; GCEI; the compensatory education, special education, and limited English proficiency formulas; and the guaranteed tax base program.

Recent History: From fiscal 2002 through 2008, during the phase in of the Bridge to Excellence in Public Schools Act of 2002 (Chapter 288), the per pupil foundation amount increased by an average of 8.4% per year, reaching $6,694 when fully phased in, in fiscal 2008. Chapter 2 of the 2007 special session then froze the per pupil amount at the fiscal 2008 level of $6,694 for fiscal 2009 and 2010 and capped annual inflationary increases at 5%. The inflation measures used to determine the fiscal 2011 increase in the per pupil amount showed no growth, so the fiscal 2011 target per pupil foundation amount remained at the fiscal 2008 level for a fourth consecutive year. Fiscal 2012, therefore, will be the fifth consecutive year the per pupil foundation amount will be $6,694.

The Budget Reconciliation and Financing Act of 2009 (Chapter 487) limited to 1% the fiscal 2012 inflationary increases for the student transportation formula and the per pupil foundation amount. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then extended the 1% cap on per pupil funding through fiscal 2015.

Location of Provision(s) in the Bill: Section 1 (pp. 20-21)

Analysis prepared by: Scott P. Gates and Mark W. Collins

Library Aid

Provisions in the Bill: Defer scheduled increases in library funding formulas until fiscal 2017. The per resident amount used in the local library aid formula is held at $14.00 for fiscal 2012 through 2016. The per resident amount increases to $14.30 in fiscal 2017, $14.60 in fiscal 2018, and $15.00 in fiscal 2019 and subsequent years.

In addition, the per resident allocations to the State Library Resource Center and the State's three regional resource centers are held at the fiscal 2011 per resident amounts. Funding for the State Library Resource Center is set at $1.67 per State resident for fiscal 2012 through 2016 before increasing to $1.73 in fiscal 2017, $1.79 in fiscal 2018, and $1.85 for 2019 and subsequent years. Funding for regional resource centers is set at $6.75 per resident of each region for fiscal 2012 through 2016, $7.00 per resident in fiscal 2017, $7.25 per resident in fiscal 2018, and $7.50 per resident for fiscal 2019 and thereafter.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($4.1)	($4.1)	($4.1)	($4.1)	($4.2)

State Effect: Mandated general fund expenditures for the library aid formula decrease by $2.4 million annually in fiscal 2012 through 2016. Mandated general fund expenditures for the State library network decrease by $1.7 million annually in fiscal 2012 through 2015 and by $1.8 million in fiscal 2016. The fiscal 2012 State budget includes $4.1 million in reductions for libraries, contingent on the enactment of legislation to reduce the required funding levels.

Local Effect: State aid to local public library systems and the State library network decreases by $4.1 million annually in fiscal 2012 through 2015 and by $4.2 million in fiscal 2016. The fiscal 2012 reductions are shown by county in **Appendix C2**.

The reduction to the current law per resident amount also decreases the required minimum local funding amount, although the counties and Baltimore City could continue to fund their local libraries above the minimum required level. There is no local maintenance of effort requirement for libraries outside the local share of library aid formula.

Program Description: The library aid formula determines State and local minimum required payments to each of the 24 local library boards. The State pays approximately 40% of the total formula cost on a wealth-equalized basis, with the local jurisdictions providing the remaining 60%.

There are three regional library resource centers located in Charlotte Hall, Hagerstown, and Salisbury and serving Southern Maryland, Western Maryland, and the Eastern Shore, respectively. The State Library Resource Center is located in Baltimore City. Funding for the resource centers is provided by the State.

Recent History: Chapter 481 of 2005 started a four-year phase-in of enhancements for the regional resource centers and the library aid formula, increasing the per resident allocations for the formulas by $1.00 per year to get to $8.50 per resident for the regional resource centers and $16.00 per resident for the library aid formulas by fiscal 2010. The enhancements were interrupted by budget reconciliation legislation in the 2007 special session (Chapter 2) and the 2009 session (Chapter 487). The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then halted the enhancements early, leaving the formulas $1.00 per resident short of the goals initially set by Chapter 481 of 2005. Chapter 487 of 2009 also reduced the annual allocation to the State Library Resource Center from $1.85 per State resident to $1.67 per resident for fiscal 2010 and 2011. This bill holds all three per resident allocations at the fiscal 2011 levels until fiscal 2017, when a phase-up to planned funding levels restarts.

Location of Provision(s) in the Bill: Section 1 (pp. 32-34)

Analysis prepared by: Scott P. Gates

Statewide and Health Manpower Grant Program

Provision in the Bill: Repeals the requirement that the Governor provide a deficiency appropriation in the following year's budget bill for a shortfall in the Statewide and Health Manpower Grant Program. Beginning in fiscal 2012, the Maryland Higher Education Commission (MHEC) must prorate reimbursements to community colleges from the program if sufficient funding is not provided in the State budget to fully fund the difference between in-county and out-of-county tuition and fees for qualifying students. In addition, community colleges are given the option of charging participating students the out-of-county fees and then reimbursing students by the amount provided by MHEC.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($3.7)	($3.9)	($4.0)	($4.2)	($4.3)

State Effect: General fund expenditures decrease by an estimated $3.7 million in fiscal 2012, which represents the difference between the expected fiscal 2012 cost of the Statewide and Health Manpower Grant Program and the $6.0 million provided in the fiscal 2012 State budget for the program. Without this provision, the unfunded portion of the fiscal 2012 program cost would have to be included in next year's budget bill as a deficiency appropriation. Future year expenditure reductions reflect the difference between estimated current law program costs, inflated with projected increases in community college enrollment, and a flat $6.0 million annual appropriation for the program, which is consistent with recent appropriations.

Local Effect: State aid to local community colleges through the grant program decreases by an estimated $3.7 million in fiscal 2012 and by approximately $4.0 million annually from fiscal 2013 to 2016 due to the elimination of the mandate associated with the program. The fiscal 2012 decrease is included in **Appendix C2**. Students in the Statewide and Health Manpower Grant Program are out-of-county residents who would normally pay higher tuition and fee rates at community colleges, with the State funding the difference between the in-county and out-of-county rates.

The provision does give boards of community college trustees the option of charging participating students the out-of-county rates and then reimbursing the students only the prorated reimbursement amount provided by MHEC. In this scenario, the loss of State aid is recovered through tuition and fee revenues from participating students. However, without the full incentive, there could be fewer students participating in the program.

Program Description: The Statewide and Health Manpower Grant Program exists to encourage enrollment in certain degree programs that are not available at a student's local community college. The degree programs are in fields identified as State workforce shortage needs. The community college charges the out-of-county student an in-county tuition rate, with the difference between the two tuition rates paid by the State.

Recent History: The Statewide and Health Manpower Grant Program has accrued a multi-million dollar liability in recent years. Although deficits have been reported in prior years, deficiency appropriations have not been provided. However, a $2.0 million deficiency appropriation for fiscal 2011 is included in the fiscal 2012 State budget because the shortfall grew so large that the fiscal 2012 appropriation could not cover prior-year costs. Even with the deficiency appropriation, accrued liabilities are expected to total approximately $7.7 million by the end of fiscal 2011.

Location of Provision(s) in the Bill: Section 1 (p. 26)

Analysis prepared by: Richard H. Harris and Mark W. Collins

Distinguished Scholar Program

Provision in the Bill: Prohibits the Maryland Higher Education Commission from making new scholarship awards under the Distinguished Scholar Program for the 2011-2012 academic year and in each year thereafter. The program is then repealed as of July 1, 2015.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief; program elimination

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($1.1)	($2.1)	($3.2)	($4.2)	($4.2)

State Effect: General fund expenditures decrease by $1.05 million in fiscal 2012 due to the prohibition against new Distinguished Scholar awards in the 2011-2012 academic year. The fiscal 2012 State budget includes a corresponding general fund expenditure reduction, contingent on legislation reducing the required appropriation for the program. Future years reflect the ongoing prohibition against new awards until current awardees are phased out of the Distinguished Scholar Program by fiscal 2015.

Program Description: The Distinguished Scholar Program provides 350 four-year scholarships in the amount of $3,000 per year to qualifying Maryland residents for use at postsecondary institutions of higher education in the State.

Recent History: The Board of Public Works reduced the fiscal 2010 appropriation for the Distinguished Scholar Program by $411,000 in November 2009. In fiscal 2009, the Maryland Higher Education Commission transferred $229,584 in unused Distinguished Scholar Program funds to satisfy shortfalls in other scholarship programs.

As introduced, the Budget Reconciliation and Financing Act of 2010 included a provision to prohibit new scholarships from being awarded under the Distinguished Scholar Program during the 2010-2011 academic year only. The General Assembly did not adopt the provision.

Location of Provision(s) in the Bill: Sections 1, 2, and 37 (pp. 32, 130, and 144)

Analysis prepared by: Rachel N. Silberman

Senator John A. Cade Formula for Local Community College Aid

Provision in the Bill: Reduces funding for local community colleges under the Senator John A. Cade formula from fiscal 2013 through 2022 by adding two years to the phase-in of formula enhancements in order to reach full funding by fiscal 2023 rather than fiscal 2021.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$0	($21.7)	($35.0)	($42.1)	($37.2)

State Effect: Mandated general fund expenditures for community college aid decrease by approximately $21.7 million in fiscal 2013, $35.0 million in fiscal 2014, $42.1 million in fiscal 2015, and $37.2 million in fiscal 2016. The estimates use projected community college enrollments and estimated funding levels for public four-year institutions of higher education. Savings will continue until fiscal 2023, when the formula reaches full funding.

Local Effect: Direct State aid for community colleges decreases by $21.7 million in fiscal 2013. The Cade formula will phase up to full funding under the revised schedule by fiscal 2023.

Program Description: The Cade formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State's per student funding for selected public four-year institutions of higher education. This per student amount is multiplied by total community college enrollment from the second prior year to arrive at the total formula amount for the colleges. Each college's share of the total is then based on its proportion of formula funding from the prior year and enrollment.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) level-funded the Cade formula in fiscal 2011 and 2012 at $194.4 million and extended the phased enhancement of the Cade formula that was initially established by Chapter 333 of 2006. This action further extends the phase-in schedule but does not impact the fiscal 2012 funding level established in Chapter 484.

Location of Provision(s) in the Bill: Section 1 (pp. 23-26)

Analysis prepared by: Richard Harris

Joseph A. Sellinger Formula for Independent Colleges and Universities

Provision in the Bill: Reduces funding for qualifying independent colleges and universities under the Joseph A. Sellinger formula from fiscal 2013 through 2016. In fiscal 2017, the formula returns to the level specified in current statute. Additionally, the bill excludes enrollments in programs at nonprofit institutions of higher education that partner with for-profit educational entities from the calculation of Sellinger aid.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
	($ in millions)					
GF Exp	$0	$0	($1.3)	($2.2)	($1.8)	($1.8)

State Effect: Mandated general fund expenditures for the Sellinger formula decrease by approximately $1.3 million in fiscal 2013, $2.2 million in fiscal 2014, and $1.8 million in fiscal 2015 and 2016 due to the reduction in the formula levels for these years. The estimates use projected enrollments at qualifying independent colleges and universities and the estimated funding levels for public four-year universities. Further savings will be generated by excluding enrollments from partnerships with for-profit institutions, but the savings from this change cannot be reliably estimated at this time.

In fiscal 2017 and future years, the factors used in the annual formula calculation return to the levels specified in current law.

Program Description: The Joseph A. Sellinger Program provides State funding to 16 qualifying nonprofit independent colleges and universities. Like the Cade formula, the Sellinger formula uses a percentage of the State's per student funding for selected public four-year institutions of higher education to determine a per student amount for the independent institutions. Under current law, the mandated Sellinger percentage of per student funding at the four-year institutions is 10.0% for fiscal 2013 and is scheduled to phase up to full funding (15.5%) for fiscal 2021 and subsequent years.

Recent History: In fiscal 2009, the Board of Public Works reduced the Sellinger formula by $8.1 million to $50.4 million. The fiscal 2010 budget adopted by the General Assembly provided a small increase for the formula to $52.2 million, but further cost containment actions by the Board of Public Works reduced fiscal 2010 funding by $13.7 million to $38.4 million. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then held the Sellinger formula at the fiscal 2010 level in fiscal 2011 and 2012 before restarting the phase-up to full funding.

In April 2010, the National Labor College (NLC), one of the institutions that receives State funding from the Sellinger formula, entered into a joint venture with the Princeton Review. Since that time, three fully online programs proposed by NLC have been endorsed by the Maryland Higher Education Commission. By year five of the implementation of these programs, NLC expects to have 3,600 new full-time equivalent students enrolled in these fully online programs. With the exclusion of enrollments from partnerships with for-profit institutions, these students will not be included in the Sellinger formula calculation.

Location of Provision(s) in the Bill: Section 1 (pp. 29-30)

Analysis prepared by: Rachel N. Silberman

Baltimore City Community College

Provision in the Bill: Reduces funding for Baltimore City Community College (BCCC) from fiscal 2016 through 2022 by adding two years to the phase-in of formula enhancements in order to reach full funding by fiscal 2023 instead of fiscal 2021.

Agency: Baltimore City Community College

Type of Action: Mandate relief

Fiscal Impact:	*(in dollars)* **FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
GF Exp	$0	$0	$0	$0	($177,913)	($184,055)

State Effect: General fund expenditures for the BCCC formula are not affected until fiscal 2016, when funding will be an estimated $177,913 less than current statute dictates. Fiscal 2017 savings are based on projected enrollments at BCCC and estimated funding levels for public four-year universities. Some level of savings will continue until fiscal 2023, when the formula will reach full funding under the revised schedule.

Program Description: BCCC is the only community college operated by the State. The annual base appropriation for BCCC is determined by a formula. Like the Cade and Sellinger formulas, the formula is based on a percentage of the State's per student funding for public four-year institutions of higher education. This per student amount is multiplied by total BCCC enrollment from the second prior year to arrive at a total formula amount. Chapter 333 of 2006 began a phased enhancement of the BCCC formula that was altered by the Budget Reconciliation and Financing Act of 2010 (Chapter 484). This bill further modifies the phase-in of formula enhancements.

Recent History: Chapter 484 level-funded the BCCC appropriation in fiscal 2011 and 2012. This action does not impact fiscal 2012 funding.

Location of Provision(s) in the Bill: Section 1 (pp. 26-29)

Analysis prepared by: Richard Harris

Maryland Agricultural and Resource-Based Industry Development Corporation

Provision in the Bill: Reduces mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) to $3,000,000 in fiscal 2013.

Agency: Maryland Department of Agriculture

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	$0	($1.0)	$0	$0	$0

State Effect: Mandated general fund expenditures decrease by $1.0 million in fiscal 2013, based on the amount the Governor otherwise would have been required to fund ($4.0 million).

The fiscal 2012 State budget includes $2.75 million for MARBICO. Although the Governor is required to include general funds of $4.0 million in the annual budget for MARBIDCO for fiscal 2012 through 2020, Section 32 of the Budget Reconciliation and Financing Act of 2010 (Chapter 484) generally relieved the Governor of the obligation to provide any increases in mandated funding for fiscal 2012 beyond the amounts provided in the fiscal 2011 State budget. Therefore, the fiscal 2012 State budget includes only $2.75 million for the program (based on the fiscal 2011 appropriation). Thus, the bill has no impact on MARBIDCO in fiscal 2012.

Local Effect: Local governments may be affected in fiscal 2013 to the extent the reduction in mandated funding limits MARBIDCO’s cost-share support to local government-funded rural business development projects. Any impact on local governments is likely minimal, however.

Program Description: MARBIDCO, established under Chapter 467 of 2004, is a public corporation and instrumentality of the State helping Maryland’s farm, forestry, seafood, and related rural businesses to achieve profitability and sustainability.

Recent History: The Agricultural Stewardship Act of 2006 (Chapter 289) mandated rural business development and assistance funding for MARBIDCO at $1.0 million in fiscal 2007, $3.0 million in fiscal 2008, $3.5 million in fiscal 2009, and $4.0 million in fiscal 2010 through 2020. The full mandated amounts were provided in fiscal 2007 and 2008, but the required fiscal 2009 funding level of $3.5 million was reduced to $3.25 million by the General Assembly and then to $2.75 million by the Board of Public

Works in October 2008. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) then reduced the required fiscal 2010 and 2011 funding levels to $2.75 million, and required that the Governor include $4.0 million annually for MARBIDCO in the fiscal 2012 through 2020 State budget bills.

Location of Provision(s) in the Bill: Section 1 (pp. 19-20)

Analysis prepared by: Lesley G. Cook

Study of the Adequacy of Education Funding

Provision in the Bill: Delays until June 30, 2014, a requirement that the Maryland State Department of Education (MSDE) contract with a public or private entity to conduct a study of the adequacy of education funding in the State. The study must be conducted in phases, with the first phase beginning no later than June 30, 2014, and the final phase being completed by December 1, 2016, and must incorporate standards from the common core curriculum adopted by the State Board of Education and two years of results from the common core assessments.

Agency: Maryland State Department of Education

Type of Action: Cost deferral

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	$0	($250,000)	($125,000)	$125,000	$125,000

State Effect: General fund expenditures to hire a contractor to conduct an adequacy study will be deferred. The study is expected to cost approximately $500,000. Under current law, a contract for the study was required by June 30, 2012, and State costs for the study would presumably be incurred in fiscal 2013 and 2014. The provisions in the bill suggest that costs for the study will instead be paid in fiscal 2014 through 2017, deferring fiscal 2013 costs and some of the fiscal 2014 costs that would otherwise be incurred.

Program Description: The Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) required the State to contract for a study of the adequacy of education funding by June 30, 2012. Adequacy studies generally attempt to determine how much funding is necessary to reasonably expect that students and school systems can meet the educational standards set by the State. The State is in the process of updating its standards to reflect the common core curriculum being adopted by a large number of states, and the initial testing under the new common core assessments is expected to occur in spring 2015. Deferring the adequacy analysis for two to three years allows the State to base the study on the new standards rather than standards that will be outdated by the time the study is complete.

Adequacy studies conducted for the State in 2001 ultimately led to the enhancement and restructuring of education financing in Maryland, as enacted in Chapter 288 of 2002.

Location of Provision(s) in the Bill: Section 1 (p. 129)

Analysis prepared by: Mark W. Collins

InterCounty Connector Funding

Provision in the Bill: Alters the timing of support for the InterCounty Connector (ICC) to allow the final payment to be made in fiscal 2012 or 2013.

Agency: Maryland Transportation Authority

Type of Action: Cost deferral

Fiscal Impact:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
			($ in millions)			
GF Exp	$0	$0	$0	$0	$0	$0
Bond Exp	0	(21.5)	21.5	0	0	0

State Effect: General obligation (GO) bond expenditures for ICC decrease by $21.5 million in fiscal 2012, with a corresponding increase in fiscal 2013 due to the change in the payment schedule. Although the fiscal 2013 payment may be made using either general funds or GO bonds, given the current fiscal condition of the State, it is assumed that the fiscal 2013 payment will be made using GO bonds.

Program Description: ICC will be an 18.8-mile highway connecting the I-270/I-370 corridor in Montgomery County with the I-95/US 1 corridor in Prince George's County. The six-lane highway will be the State's first fully electronic toll facility and the first to utilize congestion pricing. A portion of the road will open in early 2011.

Recent History: Chapters 471 and 472 of 2005 established a financing plan for ICC that included $264.9 million in general funds to repay money borrowed from the Transportation Trust Fund in 2003 and 2004. In fiscal 2007, a $53.0 million general fund payment was made. Chapter 567 of 2008 altered the timing of payments contingent on legislation creating an income tax bracket for individuals with adjusted gross incomes of $1 million or more. Passage of that legislation (Chapter 10 of 2008) put the following payment schedule into effect: $85.0 million in fiscal 2009; $63.0 million in fiscal 2010; and $63.9 million in fiscal 2011.

In October 2008, the Governor withdrew $20.0 million from the fiscal 2009 appropriation through the Board of Public Works. Chapter 487 of 2009 withdrew the remaining $65.0 million general fund appropriation, allowed the use of GO bond proceeds to make the required payments, and reduced the fiscal 2010 payment from $63.0 million to $55.0 million. In fiscal 2010, a payment of $55.0 million in GO bonds was made, leaving a remaining balance of $156.9 million to be paid in fiscal 2011. Chapter 484 of 2010 again altered the payment schedule to require a payment of at least $80.0 million in fiscal 2011, with the remaining balance to be paid in fiscal 2012. In fiscal 2011, a payment of $89.3 million in GO bonds was made. The fiscal 2012 capital budget includes a payment of $46.2 million in GO bonds, leaving a remaining balance of $21.5 million to be paid in fiscal 2013. Given the fiscal condition of the State, it is assumed that the final payment will be made using GO bonds, although either general funds or GO bonds could be used. Also, the *Joint Chairmen's Report* included committee narrative expressing the intent of the budget committees that the Governor may use increased revenues to the Transportation Trust Fund to fund the final payment of the ICC.

Location of Provision(s) in the Bill: Section 1 (pp. 114-115)

Analysis prepared by: Jaclyn D. Hartman

State Board of Elections Online Campaign Finance Reporting System

Provision in the Bill: Extends the existing authorization for the State Board of Elections (SBE) to use up to $500,000 from the Fair Campaign Financing Fund for the implementation of an online campaign finance reporting system. Authorization continues through fiscal 2012.

Agency: State Board of Elections

Type of Action: Extension of spending authorization

Fiscal Impact: None.

State Effect: The authorized funds were transferred by budget amendment from the Fair Campaign Finance Fund to SBE in December 2010. Therefore, no further reduction of the fund balance is anticipated.

Program Description: The Fair Campaign Financing Fund contains funding for a public campaign financing system for gubernatorial tickets that has not been utilized in a number of years. The fund previously generated revenue from a tax add-on system, which was eliminated in the Budget Reconciliation and Financing Act of 2010 (Chapter 484). As of April 2011, the Fair Campaign Financing Fund had a balance of approximately $5.0 million.

In March 2011, SBE released a request for proposal for an online campaign finance reporting system. Proposals were due in April 2011. SBE anticipates that the online system will be operational in early 2012. The fiscal 2012 budget contains funds to support ongoing costs for this system.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized $2.0 million from the Fair Campaign Financing Fund to be used for a new optical scan voting system. Funds transferred for this purpose to the Major Information Technology Development Project Fund but not expended were to be transferred to the Maryland Election Modernization Fund. The provision was amended by Chapter 484 of 2010 to instead require funds transferred for an optical scan voting system but not used for this purpose to revert to the Fair Campaign Financing Fund. Chapter 484 also authorized the Department of Legislative Services (DLS) to use $150,000 from the Fair Campaign Financing Fund for a study of various voting system issues and authorized SBE to use $500,000 in fiscal 2011 for the implementation of an online campaign finance reporting system. Budget amendments have been processed to transfer the $150,000 and $500,000 to DLS and SBE, respectively.

Location of Provision(s) in the Bill: Section 1 (p. 129)

Analysis prepared by: Tonya D. Zimmerman

Cap on Decreases in Direct Education Aid

Provision in the Bill: Limits decreases in direct education aid to 6.5% from fiscal 2011 to 2012. Local school systems whose direct State aid would decrease by more than 6.5% will receive an additional grant that holds the overall decline at 6.5%, contingent on enactment of House Bill 70 (Chapter 395) and Senate Bill 994 (Chapter 571) of 2011 and the Governor transferring the funds as authorized in the State budget bill.

Agency: Maryland State Department of Education

Type of Action: Local aid increase

Fiscal Impact:	($ in millions) FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0	$1.4	$0	$0	$0	$0

State Effect: General fund expenditures increase by $1.4 million in fiscal 2012 due to the new grant program. The additional funding will be provided to the local boards of education in Allegany and Garrett counties, where State education aid would otherwise be declining by 7.5% and 9.2%, respectively. The fiscal 2012 State budget restricts $1.4 million in general fund savings from education aid for the grants, but the funding is contingent on the enactment of Senate Bill 994 (Chapter 571 of 2011, which increases the sales tax on alcoholic beverages) and the Governor transferring the funds.

The new grant program is for fiscal 2012 only, so there is no impact on future year expenditures.

Local Effect: Fiscal 2012 State aid for Allegany and Garrett county school systems increases by $779,282 and $640,578, respectively. Both systems still receive less State aid in fiscal 2012 than in fiscal 2011, but the grants hold the decreases at 6.5%. The impact of these grants is shown in **Appendix C3**.

Recent History: The Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) restructured the State's school finance system to allocate a greater share of State aid based on local wealth and enrollments. During the phase-in of the new formulas from fiscal 2004 through 2008, State education aid increased significantly, masking some of the underlying trends in State aid. Now that the Bridge to Excellence formulas are fully phased in, and with no inflation factor increasing the formulas for the last several years, annual changes in aid amounts are simply the result of changes in enrollments and local wealth. Counties experiencing student enrollment declines and local tax base increases (relative to the statewide trend) are likely to realize decreases in State education aid from one fiscal year to the next. Allegany and Garrett counties are in this situation in fiscal 2012. This provision helps to mitigate steep fiscal 2011 to 2012 decreases in State aid for these two school systems.

Location of Provision(s) in the Bill: Section 1 and 38 (pp. 21-22 and 144)

Analysis prepared by: Mark W. Collins

Disparity Grants

Provision in the Bill: Enhances the disparity grant calculation for fiscal 2012 by increasing from 75% to 77% the percentage of statewide per capita income tax yield used in the disparity grant calculation, contingent on enactment of House Bill 70 (Chapter 395) and Senate Bill 994 (Chapter 571) of 2011 and the Governor transferring the funds as authorized in the State budget bill.

Agency: Payments to Civil Divisions

Type of Action: Local aid increase

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	$8.8	$0	$0	$0	$0

State Effect: General fund expenditures increase by $8.8 million in fiscal 2012 due to the increase in the percentage of statewide per capita income tax yield used to calculate disparity grants. The additional funding goes to Prince George's County, which is the only disparity grant county not already at its funding cap under the program. The fiscal 2012 State budget restricts $8.8 million in general fund savings from education aid for the grant, but the funding is contingent on the enactment of Senate Bill 994 (Chapter 571 of 2011, which increases the sales tax on alcoholic beverages) and the Governor transferring the funds to the disparity grant program.

The increase in the disparity grant percentage is for fiscal 2012 only, so there is no impact on future year expenditures.

Local Effect: State aid for Prince George's County increases by $8.8 million. Budget language requires the county to provide half of the new funding, $4.4 million, to the county board of education. The increase is shown in **Appendix C3**.

Program Description: Disparity grants address the difference in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for most counties. A county with per capita taxable income less than 75% of the statewide average receives a grant, unless the county has an income tax rate below 2.4%. Aid received by a county equals the dollar amount necessary to raise the county's per capita income tax revenues to 75% of the statewide average, assuming a 2.54% tax rate, but is capped at the amount of disparity grant aid the county received in fiscal 2010.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) altered the disparity grant calculation by including net taxable income from the tax returns filed by November 1, rather than August 15. The later date captures a greater share of total net taxable income and provides a better measure of actual county tax capacity.

Recent History: The fiscal 2012 calculation of disparity grants at 75% of the statewide average per capita income tax yield resulted in all eligible counties receiving their maximum disparity grants except Prince George's County, which was $10.5 million below its cap of $21.7 million. This action restores a portion of the decrease in disparity grant aid, mitigating the county's net reduction in State aid from fiscal 2011 to 2012. State aid for the county school system is likewise decreasing from fiscal 2011 to 2012, and the requirement that the county allocate half of the additional disparity grant funds to the county board of education will partially offset the decrease.

Location of Provision(s) in the Bill: Sections 1 and 38 (pp. 12 and 144)

Analysis prepared by: Mark W. Collins

Guaranteed Tax Base Program

Provision in the Bill: Authorizes counties (including Baltimore City) to reduce the required fiscal 2012 local maintenance of effort (MOE) school funding level by an amount equal to any reduction in recurring costs for current retiree health benefits if these costs are shifted from the county to the local board of education. The provision also states the intent of the General Assembly that any funds shifted from Baltimore City to the Baltimore City Board of School Commissioners in fiscal 2011 be included in the local appropriation used to calculate fiscal 2012 State aid under the guaranteed tax base program. These provisions are contingent on enactment of House Bill 70 (Chapter 395) and Senate Bill 994 (Chapter 571) of 2011 and the Governor transferring the funds as authorized in the State budget bill.

Agency: Maryland State Department of Education

Type of Action: Local aid increase

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	$12.2	increase	increase	increase	increase

State Effect: General fund expenditures increase by $12.2 million in fiscal 2012 due to an increase in State education aid through the guaranteed tax base program. The additional funding will be provided to Baltimore City Public Schools (BCPS), which is the only school system expected to meet the bill's specifications. The fiscal 2012 State budget restricts $12.2 million in general fund savings from education aid for the additional guaranteed tax base aid, but funding is contingent on the enactment of Senate Bill 994 (Chapter 571 of 2011, which increases the sales tax on alcoholic beverages) and the Governor transferring the funds to the guaranteed tax base program.

The authorization to reduce the MOE amount by any savings generated for retiree health costs is for fiscal 2012 only. It is unclear how much, if any, Baltimore City will include for school system retiree health care costs in its fiscal 2012 and future local appropriations to the school board, but any additional amount provided as a result of this bill will result in additional State aid from the guaranteed tax base program.

Local Effect: State aid for BCPS under the guaranteed tax base program increases by $12.2 million in fiscal 2012 due to the additional amount appropriated to the board of school commissioners by Baltimore City in fiscal 2011. State aid may likewise increase in future years, depending on local budget decisions regarding health care costs for BCPS employees. The increase is shown in **Appendix C3**.

Program Description: The guaranteed tax base program provides additional State education aid to school systems in low-wealth jurisdictions. The amount of State aid is based in part on the county appropriation to the local school board in the prior fiscal year; a higher local appropriation in fiscal 2011, for example, results in a greater amount of State aid in fiscal 2012. The program is designed to give a qualifying low-wealth county an incentive to provide more local funding to the local board of education.

Recent History: Unlike the other 23 local school systems, which include costs for the health benefits of school system retirees in their school budgets, health benefit costs for BCPS retirees are paid through the city's budget. If these costs were instead included in the school system's budget, they would be part of the city's appropriation to the city school board and would be included in the calculation of the guaranteed tax base program. However, the additional city funding would also be included in the annual MOE calculation, meaning Baltimore City's required annual appropriation to the school board would be higher. Baltimore City has expressed a desire to reduce future retiree health care costs through modifications to the plan and is concerned that, once the costs have been included as part of the local appropriation to the school board, the city will not receive any benefit from the savings generated by plan changes. This provision allows Baltimore City to transfer these funds to the school system's budget in fiscal 2011 and to reduce its fiscal 2012 MOE level by any savings resulting from plan changes. BCPS's current retiree health care costs total $31.4 million in fiscal 2011.

Location of Provision(s) in the Bill: Sections 19 and 38 (pp. 136 and 144)

Analysis prepared by: Mark W. Collins

Food Service Facility License Fees

Provision in the Bill: Authorizes all county boards of health to establish fees for food service facilities based on the actual cost of licensing and conducting related food safety inspections.

Agency: Department of Health and Mental Hygiene

Type of Action: Local revenue enhancement

Fiscal Impact: The provision does not affect State operations or finances.

Local Effect: Potential significant increase in food service facility licensing fee revenues beginning in fiscal 2012 for local health departments (LHDs) that increase fees for delegated food service facility activities.

Program Description: The *Code of Maryland Regulations* (COMAR) outlines acceptable sanitation standards for safe food storage, handling, and preparation in food service establishments and retail food operations. Furthermore, food safety regulations provide science-based guidance and manageable, enforceable provisions for mitigating factors known to cause foodborne illness in restaurants, grocery stores, nursing homes, and child care centers.

The Department of Health and Mental Hygiene (DHMH) has delegated numerous responsibilities to LHDs in regards to food safety. Specifically, LHDs investigate outbreaks related to foodborne illness and license and inspect food service facilities. Except in Baltimore City and Anne Arundel, Montgomery, and Prince George's counties, statute sets the maximum fee a county may charge a food establishment for licensure at $300. This fee is used to cover the cost of licensing and inspecting food service facilities.

Food service facilities are classified as high priority, medium priority, or low priority based on regulations. High-priority facilities pose the highest risk to public health, and COMAR requires LHDs to inspect such facilities more frequently (three times per year) than medium- or low-priority facilities. Fourteen of the 24 LHDs are charging $300 or more for food service facility licenses; however, the Maryland Association of County Health Officers notes that the actual costs of food service facility inspections are closer to $400 for high-priority facilities.

Recent History: Since current food service facility fees are inadequate to cover the cost of inspections at the frequency rates required by COMAR, State funds are often needed to successfully administer food safety programs. State funds for local public health are administered through the Core Funding Program at a level established by a statutory formula, referred to as the targeted local health formula. The minimum funding level for the program was established at $41.0 million in general funds in fiscal 1997; subsequent increases based on inflation and population growth increased minimum funding to over $57.0 million in fiscal 2010. The Board of Public Works reduced the fiscal 2010 LHD grants to $37.3 million, and the Budget Reconciliation and Financing Act of 2010 (Chapter 484) lowered the base funding level for the program to approximately $37.3 million for fiscal 2011 and 2012, with inflationary increases beginning again in fiscal 2013. More specifically, core funding for environmental health has decreased by 56% since fiscal 2009, and there are no longer funds to offset the cost of food service facility inspections. Consequently, food service facility inspections are conducted below the frequency rates required by COMAR. Upon reviewing calendar 2010 inspection data for 11 LHDs, DHMH concluded that, on average, 71% of required high-priority inspections were performed during the year. Inspection compliance rates ranged from 45% to 100% among the local jurisdictions.

DHMH attempted to resolve this issue through legislation. SB 170 of 2009 would have given local jurisdictions the authority to set fees for services delegated under the Health-General Article or the Environment Article; however, the bill failed to pass.

Location of Provision(s) in the Bill: Section 1 (pp. 43-44)

Analysis prepared by: Erin K. McMullen

Racetrack Facility Renewal Account

Provision in the Bill: Requires the transfer of $3,600,000 from the Racetrack Facility Renewal Account to the Maryland Economic Development Corporation (MEDCO) in fiscal 2011. To the extent that the total amount of funds required for this transfer are not yet accrued in the account in fiscal 2011, the remainder must be transferred in fiscal 2012. An additional amount, up to $400,000, must also be transferred in fiscal 2012 for interest expense, fees, and administrative costs.

Agencies: Department of Labor, Licensing, and Regulation; Maryland Economic Development Corporation

Type of Action: Redirected spending

Fiscal Impact: None.

State Effect: No overall impact on State finances. The provision requires that $3.6 million (plus an additional $400,000) be transferred to MEDCO instead of forwarding the funds to horse racetracks for capital improvements. It is expected that the Racetrack Facility Renewal Account will accrue $3.3 million in fiscal 2011 and $9.9 million in fiscal 2012. Thus, it is assumed that $3.3 million will be transferred to MEDCO in fiscal 2011 and up to $700,000 will be transferred in fiscal 2012 (the remaining $300,000 and an additional amount, up to $400,000).

Program Description: The Racetrack Facility Renewal Account is designed to provide matching funds for horse racetrack facility capital construction and improvements. The account's revenues are derived from 2.5% of gross video lottery terminal (VLT) proceeds. Of the total, 80% is allocated to Pimlico Race Course, Laurel Park, and the Racecourse at Timonium and 20% to Rosecroft Raceway and Ocean Downs Race Course.

Recent History: Chapters 4 and 5 of the 2007 special session authorized up to 15,000 VLTs in five locations across the State, contingent on passage of a voter referendum at the November 2010 general election. Chapter 4 created the Racetrack Facility Renewal Account and required that 2.5% of VLT revenues be deposited in the account to be used for capital improvements at horse racing tracks.

In 2009, the Video Lottery Facility Location Commission rejected a bid from the Laurel Racing Association to install VLTs at Laurel Park due to a failure to pay the initial license fee. After a local ballot measure to officially allow VLTs at Laurel Park and a different location in Anne Arundel County passed in November 2010, the owners of the racetrack submitted a severely reduced 2011 racing schedule to the Maryland Racing

Commission, claiming that an ongoing operating deficit made it impossible to maintain the same level of racing at Laurel Park and Pimlico Race Course, which are both owned by the same entities.

In December 2010, the Maryland Racing Commission rejected the Maryland Jockey Club's proposal to significantly reduce the number of scheduled racing days, from 146 racing days in 2010 at Laurel Park and Pimlico Race Course to 77 racing days in 2011. As a result, the Jockey Club announced that it might need to lay off hundreds of employees and close Laurel Park and the Bowie training facility.

To prevent that eventuality, an agreement was reached between the State, the Jockey Club, the Maryland Horse Breeders' Association, and the Maryland Thoroughbred Horsemen's Association. In order to subsidize the racetrack operations for 2011, the State will advance $3.6 million and the breeders/horsemen will contribute $1.7 million to the Jockey Club. The State funds will be advanced using MEDCO, which will be repaid from VLT proceeds dedicated to racetrack capital improvements.

This provision will require racetrack capital renewal funds to be used to repay the advance from MEDCO. There are funds in the fiscal 2012 State budget for the racetrack renewal account for racetrack facility capital construction and improvements ($9.9 million). Because two VLT facilities are operational in fiscal 2011, the fiscal 2011 working appropriation also contains funds for this purpose ($3.1 million). Revised revenue estimates project $3.3 million in fiscal 2011.

The agreement described above will allow the racetracks to operate a 2011 live racing schedule similar to the 2010 racing schedule with a 146-day racing season that includes the 136th running of the Preakness at Pimlico. The agreement will also provide for the continued year-round operation of the Bowie training facility.

Location of Provision(s) in the Bill: Section 13 (p. 134)

Analysis prepared by: Jody J. Sprinkle

Speed Monitoring Systems – Department of State Police Motor Vehicles

Provision in the Bill: Requires that, for fiscal 2013 through 2015 only, $3,000,000 annually of the revenues derived from work zone speed control systems, after administrative costs are paid, be distributed to the Department of State Police (DSP) to be used only for the purchase of replacement vehicles and related motor vehicle equipment.

Agencies: Department of State Police; Maryland Department of Transportation

Type of Action: Redirected special fund spending

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	$0	decrease	decrease	decrease	$0

State Effect: The availability of special funds to DSP for the purchase of replacement vehicles and related motor vehicle equipment could reduce the need to appropriate general funds for this purpose in fiscal 2013 through 2015. Overall special fund finances are unaffected, since it is assumed that the Maryland Department of Transportation (MDOT) would have spent the funds in the absence of this bill.

Program Description: Chapter 500 of 2009 authorized applicable law enforcement agencies to issue violations or warnings for speeding at least 12 miles per hour above the posted speed limit in designated work zones. Pursuant to Chapter 500, all citations have to be verified by DSP or the Maryland Transportation Authority Police. Chapter 500 directs the Comptroller to distribute revenues collected through the use of a work zone speed control system to a special fund, and then to distribute funds to the State Highway Administration and DSP to cover the costs of implementing and administering work zone speed cameras. Under current law, through October 2012, any remaining balance is distributed to DSP to fund roadside enforcement activities; after October 1, 2012, any remaining balance goes to the Transportation Trust Fund instead.

Recent History: In recent years, cost containment actions have significantly reduced funding for the replacement of DSP motor vehicles. About 50% of DSP vehicles have over 150,000 miles. In order to address concern regarding the replacement of DSP motor vehicles, the General Assembly restricted $2.7 million of speed camera revenues in fiscal 2011 and 2012 for patrol vehicle replacement. The General Assembly also adopted budget bill language requiring DSP to develop a formal policy for the replacement of motor vehicles.

Location of Provision(s) in the Bill: Section 1 (p. 121)

Analysis prepared by: Chantelle M. Green

Program Open Space Administration

Provision in the Bill: Authorizes the use of $1,217,000 of the State's share of Program Open Space (POS) funds in fiscal 2012 and 2013 for administrative expenses in the Department of Natural Resources (DNR), the Department of General Services, and the Maryland Department of Planning.

Agency: Department of Natural Resources

Type of Action: Special fund mandate relief

Fiscal Impact: None.

State Effect: Overall POS special fund expenditures are not affected. POS special fund expenditures of $1.2 million per year are shifted from land acquisition to other purposes for fiscal 2012 and 2013 only. The fiscal 2012 budget bill authorizes the transfer of $1,217,000 of State land acquisition funds for administrative expenses, contingent upon the enactment of this bill.

Program Description: 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 the Maryland Department of Agriculture. However, before any program-specific allocations are made, 3.0% of the transfer tax revenue is distributed to DNR and the other agencies involved in POS for their administration of the program.

Recent History: The steep decline in transfer tax revenues has resulted in insufficient funding for POS administration. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) included an identical provision authorizing the use of funds for administrative expenses for fiscal 2010 and 2011 only.

Location of Provision(s) in the Bill: Section 1 (pp. 50-51)

Analysis prepared by: Andrew D. Gray

Retention Bonus Exemption for Facilities to be Closed

Provision in the Bill: Exempts the Department of Health and Mental Hygiene (DHMH) from any statewide prohibition on providing bonus payments to State employees for fiscal 2011 and 2012; however, the exemption only applies if such payments are required to retain State employees at facilities that are scheduled to be closed, subject to approval by the Secretary of Budget and Management.

Agencies: Department of Health and Mental Hygiene; Department of Budget and Management

Type of Action: Spending authorization

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$30,000	$0	$0	$0	$0	$0

State Effect: General fund expenditures increase by an estimated $30,000 in fiscal 2011 due to the exemption. As of February 2011, the only foreseeable use of this exemption would be to provide retention bonuses for employees at the Brandenburg Center, which is scheduled to close by the end of fiscal 2011. DHMH estimates that 10 employees will likely be required to assist the transition of the final 5 clients out of the facility. Each would receive a $3,000 retention bonus for this activity.

Program Description: The Brandenburg Center, a State residential center that has been providing residential and rehabilitative services to adults with intellectual and developmental disabilities, is scheduled to close by the end of fiscal 2011.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) prohibits the award of bonus payments during fiscal 2011 to any State employee, with specified exceptions. A similar $3,000 retention bonus payment was made to the 25 employees that stayed through the closing of the Rosewood Center to assist with client transitions in fiscal 2010.

Location of Provision(s) in the Bill: Section 25 (p. 139)

Analysis prepared by: Katie K. Wunderlich and Dylan R. Baker

Need-based Student Financial Assistance Fund

Provision in the Bill: Creates a special fund for unused scholarship appropriations that do not revert to the general fund. Expenditures from the fund may only be used for need-based awards in future years and must be made in accordance with the State budget. The Maryland Higher Education Commission (MHEC) will administer the fund.

Agency: Maryland Higher Education Commission

Type of Action: Budget transparency

Fiscal Impact: None.

Program Description: Current law requires that unexpended student financial aid appropriations be retained by MHEC to award under specified need-based programs in the following fiscal year, although no accounting mechanism exists to retain unexpended general fund appropriations. A recent audit by the Office of Legislative Audits (OLA) found that, to encumber unexpended funds, MHEC created purchase orders identifying the vendor as the "State of Maryland," reallocated funds the following fiscal year to the appropriate grant programs, and processed a budget amendment reflecting the transfer. OLA recommended that MHEC work with the Department of Budget and Management and the Comptroller of Maryland to identify an appropriate method for retaining unexpended scholarship funds in accordance with State law.

Through the creation of the Need-based Student Financial Assistance Fund, unused scholarship funds will be deposited into the fund at the close of each fiscal year to be used for future need-based awards. Special funds will be appropriated in the annual State budget or recognized by budget amendment in the following fiscal year, creating a process for MHEC to encumber unexpended scholarship funds while improving transparency.

Location of Provision(s) in the Bill: Section 1 (pp. 30-32)

Analysis prepared by: Rachel N. Silberman

Maryland Environmental Service Project Reserve Accounts

Provisions in the Bill: Specify three Maryland Environmental Service (MES) project reserve funds for State reimbursable projects, cap State reimbursable project payments to those project reserve funds, and return any overpayment above the specified project reserve fund caps to the funds of origin.

Agency: Maryland Environmental Service

Type of Action: Budget transparency

Fiscal Impact: This provision is not anticipated to materially affect State finances. The budgeting of State reimbursable project funding is made more transparent, and State reimbursable project overpayment that exceeds the appropriate project reserve fund cap is automatically returned to the fund of origin.

Program Description: MES is an instrumentality of the State and a public corporation created to provide water supply, wastewater treatment, and waste management services to State agencies, local governments, and private entities. Current law authorizes MES to create project reserve funds and retain State reimbursable project overpayments in them. MES has used the project reserve funds as contingency funds for emergencies and long-term maintenance needs.

The three project reserve funds specified in the bill are as follows:

- Eastern Correctional Institution Steam Turbine Contingency Fund – $1.5 million cap;
- Department of Natural Resources Project Contingency Fund – $1.0 million cap; and
- Reimbursable Project Contingency Fund – $0.5 million cap.

Recent History: MES is a nonbudgeted agency and thus is not impacted by operating budget actions. The current project reserve fund MES has created for the periodic overhaul of steam turbines used to generate electricity at the Eastern Correctional Institution has a balance of $1.5 million.

Location of Provision(s) in the Bill: Section 1 (pp. 46-48)

Analysis prepared by: Andrew D. Gray

Planning and Implementation Programs for Major Information Technology Projects

Provision in the Bill: Requires that the Department of Information Technology (DoIT) develop two programs for its major information technology (IT) development projects: (1) a planning program for projects that are in early development; and (2) an implementation program for projects that have a baseline budget.

Agency: Department of Information Technology

Type of Action: Budget policy

Fiscal Impact: None.

State Effect: This provision does not impact overall expenditures but improves IT project planning and cost estimation.

Program Description: DoIT became an independent department in 2008. The 10-step Systems Development Life Cycle (SDLC) methodology was developed in 2006. This is the process by which DoIT supports major IT projects in State agencies. Currently, major IT projects are approved before much planning has been completed. At the time of approval, DoIT provides an estimate of total project costs. Concerns have been raised by legislators that these initial cost estimates are often substantially revised.

Managing for Results data show fewer project schedule delays and cost changes for projects that have a baseline budget. To improve budgeting, the legislation requires that the major IT project planning process be modified to adopt more capital budget planning processes features by dividing projects into two programs: a planning program and an implementation program. Generally, projects in the first four phases of the SDLC process (initiation, system concept development, planning, and requirements analysis) will be placed in a planning program that only includes the costs for those four phases. Once a project has a baseline budget and has been approved to be implemented, the project could then be placed in an implementation program that includes the total cost of the project.

Location of Provision(s) in the Bill: Section 1 (pp. 51-52)

Analysis prepared by: Patrick S. Frank

Developmental Disabilities Administration

Provision in the Bill: Ensures that no community developmental disabilities providers lose funding as a result of changes to State reimbursements for absence day payments in fiscal 2012.

Agency: Department of Health and Mental Hygiene

Type of Action: Budget policy

Fiscal Impact: None.

Program Description: The Developmental Disabilities Administration provides direct service to individuals with intellectual and developmental disabilities through funding of a coordinated service delivery system that supports the integration of these individuals into the community. The Governor's proposed fiscal 2012 State budget included a change in the reimbursement policy for providers of community services that defunded absence day payments and increased the reimbursement rate for day, supported employment, and residential services. After consultation with providers and Administration officials, a hold harmless pool was created instead, using existing funds, to ensure that if any provider loses money based on the reimbursement change, there is funding available to hold them harmless. This action specifies that no provider may lose funding based on the reimbursement change in fiscal 2012.

Location of Provision(s) in the Bill: Section 32 (p. 143)

Analysis prepared by: Katie K. Wunderlich

Compensation Commission Reports

Provision in the Bill: Requires that the Governor's Salary Commission (GSC), the Judicial Compensation Commission (JCC), and the General Assembly Compensation Commission (GACC) include specific recommendations in their respective reports concerning appropriate benefit and member contribution levels for the Governor's Pension Plan, the Judges' Retirement System, and the Legislative Pension Plan, respectively. The recommendations should take into account the overall sustainability of the pension systems.

Agency: Department of Legislative Services

Type of Action: Reporting requirement

Fiscal Impact: None.

State Effect: JCC is scheduled to convene in 2011 and again in 2013 and then every four years after 2013. GSC and GACC will next convene in calendar 2013. The Department of Legislative Services, which staffs the commissions, can carry out the requirements with existing resources.

Program Description: In accordance with Article III, Section 15 of the Maryland Constitution, a nine-member GACC submits salary, allowance, and benefit recommendations to the legislature every four years. The constitution, as interpreted by the Attorney General, gives the commission exclusive jurisdiction over the legislative retirement system. The General Assembly may vote to either reject or reduce the commission's recommendations but may not increase them. Changes to compensation and benefits take effect during the successive legislative term.

In accordance with the Maryland Constitution, a seven-member GSC must submit salary recommendations for the Governor and Lieutenant Governor to the General Assembly within 10 calendar days after the beginning of the last regular General Assembly session in a four-year term of office. A joint resolution incorporating the recommendations must be introduced in each house of the General Assembly by the fifteenth day of the session. The General Assembly may endorse or reduce the commission's proposals but may not increase the proposed salaries.

JCC was established in 1980 and consists of seven members appointed by the Governor. The commission generally convenes every four years to review the salaries and pensions of the judges and to make written recommendations to the Governor and the General Assembly. The Governor must include the funding necessary to implement the JCC recommendations in the budget submission for the next fiscal year, and a joint resolution incorporating the salary recommendations must be introduced in each house of the General Assembly by the fifteenth day of the session. As with the GACC and GSC recommendations, the General Assembly may approve or reduce JCC's recommendations but may not increase the recommended salaries.

Recent History: As of June 30, 2010, the State Retirement and Pension System is funded at 64.1% on an actuarial basis, and current employer contribution rates are projected to grow to 25% of compensation within 10 years. The Public Employees' and Retirees' Benefit Sustainability Commission, which was established by the Budget Reconciliation and Financing Act of 2010 (Chapter 484), called the current benefit structure unsustainable in its 2010 interim report.

Other provisions in this bill restructure pension benefits for current and future State employees and teachers and reinvest the savings generated by the changes to improve the funded status of the system.

Chapter 484 of 2010 altered the schedule for JCC salary reviews, requiring reviews in 2011 and 2013 before resuming the quadrennial review cycle.

Location of Provision(s) in the Bill: Section 29 (p. 142)

Analysis prepared by: Michael C. Rubenstein

State Retirement and Pension System Reports

Provisions in the Bill: Require the Board of Trustees of the State Retirement and Pension System to report annually to the Governor and the Joint Committee on Pensions on the system's funding progress. Also, the Secretary of Budget and Management must report biennially, beginning January 1, 2013, to the Governor and the General Assembly on the system's financial health. The Secretary's report must reflect progress in meeting the statutory funding goals and must include recommendations to modify funding methods or benefit structures.

Agencies: State Retirement Agency; Department of Budget and Management

Type of Action: Reporting requirement

Fiscal Impact: None.

State Effect: Through its annual actuarial valuations, the State Retirement Agency already collects the data needed for the mandated reports. Therefore, the reporting requirements have no fiscal effect.

Program Description: The June 30, 2010 actuarial valuation of the State Retirement and Pension System determined that, on an actuarial basis, the system is 64.1% funded. Under the current benefit structure, the system is projected to reach 80% funding in fiscal 2026 and 100% funding in fiscal 2034. The pension benefit restructuring and funding changes included in this bill are designed to achieve an 80% funding level by fiscal 2023 and 100% funding by fiscal 2030.

Location of Provision(s) in the Bill: Section 30 (p. 142)

Analysis prepared by: Michael C. Rubenstein

Maryland Transit Administration – Farebox Recovery and Maglev

Provisions in the Bill: Require the Maryland Transit Administration (MTA) to increase fares or other operating revenues to meet the 35% statutory farebox recovery requirement established under current law; prohibit MTA from reducing services to meet the farebox recovery requirement; and require MTA to include the estimated fare prices necessary to achieve the farebox recovery requirement in its annual report related to farebox recovery.

The bill also repeals provisions of current law that prohibit the State from:

- entering into an agreement for construction or operation of a rail system based on magnetic levitation technology (Maglev); and
- spending any funds for the purpose of studying, developing, or constructing a Maglev system in the State.

Agency: Maryland Department of Transportation (Maryland Transit Administration)

Type of Action: Clarification

State Effect: If fares are increased to meet the 35% statutory farebox recovery requirement, which is already required under current law, Transportation Trust Fund revenues could increase by approximately $17.5 million in fiscal 2012. It is estimated that, in fiscal 2012, fares would need to be increased from $1.60 to $2.00, or by 25%, in order to meet the farebox recovery requirement. Incremental fare increases in future fiscal years would likely be required to continue meeting the requirement. This provision clarifies that MTA must rely on fare increases, rather than a combination of fare increases and service reductions, to meet the requirement.

The repeal of the existing Maglev prohibitions allows the State or other entities the opportunity to pursue the development of such projects in Maryland. The statutory restrictions were deemed unconstitutional because the General Assembly may not prohibit the Governor from including funding for any purpose in the annual budget bill.

Program Description: MTA provides transit services in Baltimore City by operating the core bus, light rail, Metro, and paratransit services. Statewide, MTA provides services through Maryland Area Regional Commuter (MARC) and commuter bus service as well as providing operating assistance funds to smaller local transit systems.

Recent History: Chapter 684 of 2008 reduced the statutory farebox recovery rate to 35% for Baltimore area core services and MARC service beginning in fiscal 2010. MTA fares were last increased in 2004.

The Budget Reconciliation and Financing Act of 2003 (Chapter 203) prohibited (1) the State from entering into an agreement for construction or operation of a rail system based on magnetic levitation technology except pursuant to an Act of the General Assembly specifically authorizing the project; and (2) the expenditure of State general or special funds for the purpose of studying, developing, or constructing a Maglev system. The Budget Reconciliation and Financing Act of 2004 (Chapter 430) prohibited, beginning July 1, 2005, the State from spending any funds from any source for the purpose of studying, developing, or constructing a Maglev system in the State.

Location of Provision(s) in the Bill: Sections 1 and 3 (pp. 116-117 and 130)

Analysis prepared by: Jonathan D. Martin

Local Maintenance of Effort for Education Penalty

Provision in the Bill: Clarifies that the penalty for a county's failure to meet the local maintenance of effort (MOE) requirement for education in fiscal 2012 is equivalent to the increase in State aid under § 5-202 of the Education Article from fiscal 2011 to 2012, regardless of the fund source used to support the § 5-202 aid formulas.

Agency: Maryland State Department of Education

Type of Action: Clarification

Fiscal Impact: None.

Program Description: Under the public schools MOE requirement, each county (and Baltimore City) must provide to the local board of education an amount of funding that is at least equal to the amount of per pupil funding that the county provided to the board in the previous fiscal year. A county may request a waiver of the MOE requirement from the State Board of Education, and the State board may grant the waiver based on a determination that the county's fiscal condition significantly impedes its ability to fund the requirement.

Counties that do not receive waivers from the State board and fail to make MOE are penalized by the withholding of increases in the State education aid programs established under § 5-202 of the Education Article: the State share of the foundation program, the geographic cost of education index, and the supplemental grant.

Recent History: Montgomery and Prince George's counties failed to meet MOE in fiscal 2010 and did not receive waivers from the State Board of Education, meaning that the boards of education for the two counties were to be penalized in amounts equal to the increases in State aid under § 5-202. At the time, the State was funding a significant portion of its fiscal 2010 education aid formulas with federal stimulus funds available through the American Recovery and Reinvestment Act of 2009. The use of federal funds to support § 5-202 aid programs led to questions about whether to include the federal funds in the calculation of the penalty. Advice from the Office of the Attorney General in 2009 suggested that the MOE penalty should be calculated using all funds regardless of source, an opinion that would have resulted in higher fiscal 2010 penalties for both counties. Despite this advice, the State Board of Education only applied the penalty to the increase in aid from *State* sources, reducing the penalty for Montgomery County schools and eliminating any penalty at all for Prince George's County schools. Chapters 73 and 74 of 2010 subsequently waived the $23.4 million penalty that the State board would otherwise have imposed on Montgomery County Public Schools.

Federal stimulus funds were used to support State programs in fiscal 2010 and 2011 but are no longer available in fiscal 2012. Also, additional federal funds from the Education Jobs Fund were approved by the U.S. Congress in summer 2010 and were used to support § 5-202 aid programs in fiscal 2011 only. As a result of the State's extensive use of federal funds in fiscal 2011, education aid supported from State sources is increasing dramatically in fiscal 2012. If penalties were to be calculated from the increases in § 5-202 funding from State sources only (like the State board did two years ago), the potential MOE penalties would be significant, and as many as 23 of the State's 24 school systems could be subject to a penalty.

This provision clarifies that fiscal 2012 penalties are to be calculated on the total increase in aid under § 5-202, regardless of the fund type used to support the aid programs. This interpretation of the penalty corresponds with the 2009 advice provided by the Office of the Attorney General and results in nine school systems that could be subject to MOE penalties. The nine school systems and the potential penalty amounts are shown in **Exhibit 15**.

Exhibit 15
Potential Penalties for Failure to Meet Fiscal 2012 Maintenance of Effort

School System	Potential Penalty
Anne Arundel	$3,857,268
Baltimore County	2,028,242
Charles	1,241,325
Frederick	4,218,616
Howard	2,885,675
Montgomery	26,235,817
Queen Anne's	455,696
Washington	2,817,047
Worcester	52,967

Location of Provision(s) in the Bill: Section 20 (p. 136)

Analysis prepared by: Mark W. Collins

Local School System Budget Process

Provision in the Bill: Clarifies that a county council or board of county commissioners has the authority to reduce a request by the local board of education for local funding provided that the amount does not go below the local share of the foundation program. The amount requested by a local school board may not be less than the local share of the foundation, and a county governing body may provide more than the local share. If the county governing body does not approve an amount in excess of the local share of the foundation that has been requested by the school board, it must indicate which categories of spending have been reduced and the reason for the reductions.

Agency: Maryland State Department of Education

Type of Action: Clarification

Fiscal Impact: None.

Program Description: Local funding for education must meet the greater of two thresholds established in State law: the local share of the foundation and the maintenance of effort (MOE) level. The local share of the foundation represents a uniform proportion of each county's local wealth base and is recalculated each year. In fiscal 2012, the local share of the foundation is 0.66% of each county's wealth. The State's MOE law requires counties to contribute at least as much funding per pupil as was provided by the county in the prior fiscal year. Because every county provides local school funding in excess of the local share of the foundation, MOE is the governing minimum requirement for all school systems.

A county may request a waiver of the MOE requirement from the State Board of Education, and the State board may grant the waiver based on a determination that the county's fiscal condition significantly impedes its ability to fund the requirement. Counties that do not receive waivers from the State board and fail to make MOE are penalized by the withholding of increases in the State education aid programs established under § 5-202 of the Education Article.

Recent History: During the fiscal 2012 budget preparations for Montgomery County and Montgomery County Public Schools, questions were raised about the minimum amount that the county board of education could legally request from the county and whether the county council has the authority to reduce the local school board appropriation recommended by the county executive. This provision clarifies that school boards are only required to request an amount that is at least equal to the local share of the foundation and that county councils and boards of county commissioners have the authority to reduce school board budget requests that are below MOE, but no lower than the local share of the foundation.

Location of Provision(s) in the Bill: Section 1 (p. 20)

Analysis prepared by: Mark W. Collins

Collective Bargaining Contracts

Provision in the Bill: Clarifies that any memorandum of understanding (MOU) between the State and an exclusive employee representative that is ratified between January 1, 2011, and the effective date of the bill (June 1, 2011) is in full compliance with the collective bargaining process.

Agency: Multiple

Type of Action: Clarification

Fiscal Impact: None.

Program Description: Current law requires the State and its bargaining units to conclude negotiations by January 1 for items requiring an appropriation in the budget for the following fiscal year.

Location of Provision(s) in the Bill: Section 33 (p. 143)

Analysis prepared by: Mark W. Collins

Appendix B

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GENERAL FUND REVENUES						
Dedicated Revenue Relief						
Medicare Prescription Drug Subsidies	23,000,000	24,000,000	25,440,000	26,966,400	28,584,384	30,299,447
Realignment of General Fund and TTF Revenues		61,000,000		(26,000,000)	(25,000,000)	(21,000,000)
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund		20,169,444	15,076,582	11,535,845	8,049,199	4,624,687
Special Fund Interest to General Fund		7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Preservation of Cultural Arts Fund		3,700,000				
Subtotal -- Dedicated Revenue Relief	***23,000,000***	***115,869,444***	***47,516,582***	***19,502,245***	***18,633,583***	***20,924,134***
Fund Balance Transfers						
Transfer Tax Revenues	5,591,172	94,491,115				
Maryland Health Care Commission Fund	1,000,000					
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	970,000					
Used Tire Cleanup and Recycling Fund	750,000					
Forest or Park Reserve Fund	256,000					
Not-for-profit Development Center Fund	250,000	125,000				
Board of Veterinary Medical Examiners Fund	150,000					
Bay Restoration Fund		90,000,000				
Real Property Records Improvement Fund		10,000,000				
Voluntary Separation Program Special Fund Transfers		8,591,538				
Maryland Automobile Insurance Fund		4,000,000				
Special Fund Savings from Electricity Reductions		2,976,551				
Baltimore City Community College		2,297,142				
Special Loan Program Fund		2,200,000				
Neighborhood Business Development Fund		2,050,000				
State Insurance Trust Fund		2,000,000				
Homeownership Programs Fund		1,500,000				
Senior Prescription Drug Assistance Program		1,500,000				
Waterway Improvement Fund		1,090,000				
Spinal Cord Injury Research Trust Fund		500,000				
Board of Pharmacy Fund		237,888				
Board of Examiners of Psychologists Fund		44,888				
Subtotal -- Fund Balance Transfers	***8,967,172***	***223,604,122***	***0***	***0***	***0***	***0***
General Fund Revenue Enhancements						
Sales Tax Vendor Discount Cap		18,766,427	20,807,707	22,242,606	23,572,270	24,933,333
Tax Clearance for Driver's License/Vehicle Registrations		15,000,000	20,000,000	7,500,000	7,500,000	7,500,000

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
IWIF Premium Tax and Fund Transfer		6,000,000	3,360,000	3,528,000	3,704,400	3,889,620
Birth Certificate Fee Increase		4,900,000	5,047,000	5,198,410	5,354,362	5,514,993
Probation Supervision Fees		3,210,120	4,128,312	4,128,312	4,128,312	4,128,312
Car Dealer Processing Charge Increase		398,320				
Vehicle Titling Tax Vendor Credit Cap		276,442				
Subtotal -- Revenue Enhancements	***0***	***48,551,309***	***53,343,019***	***42,597,328***	***44,259,344***	***45,966,258***
General Funds Redirected to Critical Needs						
Traffic Conviction Surcharges to MEMSOF			(6,774,580)	(8,542,290)	(8,542,290)	(8,542,290)
Out-of-state Institution Approval Fees to MHEC Administration		(93,000)	(109,000)	(109,000)	(109,000)	(109,000)
Subtotal -- Redirected General Funds	***0***	***(93,000)***	***(6,883,580)***	***(8,651,290)***	***(8,651,290)***	***(8,651,290)***
TOTAL GENERAL FUND REVENUES	**31,967,172**	**387,931,875**	**93,976,021**	**53,448,283**	**54,241,637**	**58,239,102**
SPECIAL FUND REVENUES						
Increased Hospital Assessments/Remittances		259,925,000				
Vehicle Titling Fees		52,475,060	59,297,070	65,108,340	71,216,000	72,569,000
Increased Nursing Home Assessments		35,500,000	36,920,000	38,396,800	39,932,672	41,529,979
County Funding of SDAT Property Valuation		34,810,988	34,149,718	19,133,299	19,299,243	19,469,865
Real Property Records Improvement Fund Fee Increase		16,764,280	16,940,540	17,645,140	17,920,180	
Local School and College Payments for Retirement Administration		16,615,238	14,734,529	15,029,220	15,329,804	15,636,401
Car Dealer Processing Charge Increase		4,889,108	5,912,931	6,440,246	13,583,767	13,818,630
Local School Board Payments for Students in State Care		3,534,620	3,569,966	3,605,665	3,641,721	3,678,139
Vehicle Titling Tax Vendor Credit Cap		3,393,139	4,267,840	4,834,384	5,302,275	5,609,709
Helicopter Sales Revenues to Annuity Bond Fund		2,640,000				
Vanity Plates Fee Increase		2,500,000	2,500,000	2,600,000	2,600,000	2,700,000
Traffic Surcharges for Riley Tuition Reimbursement		340,979	340,979	340,979	340,979	340,979
Fees for Postsecondary Academic Program Review		255,150	275,850	275,850	275,850	275,850
Payroll Attachment Fees		50,000	50,000	50,000	50,000	50,000
Traffic Surcharges for MEMSOF			6,087,311	8,201,311	8,201,311	8,201,311
Postretirement Health Benefits Trust Fund			(25,440,000)	(26,966,400)	(28,584,384)	(30,299,447)
Traffic Conviction Surcharges for Volunteer Co. Assistance Fund		(340,979)	346,290			
TTF Revenues from Helicopter Sales		(2,640,000)				
Preservation of Cultural Arts Fund		(3,700,000)				
Special Fund Interest Earnings		(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund		(20,169,444)	(15,076,582)	(11,535,845)	(8,049,199)	(4,624,687)
Realignment of General Fund and TTF Revenues		(61,000,000)		26,000,000	25,000,000	21,000,000
Employees' and Retirees' Health and Welfare Fund	(23,000,000)					
TOTAL SPECIAL FUND REVENUES	**(23,000,000)**	**338,843,139**	**137,876,442**	**162,158,989**	**179,060,219**	**162,955,729**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
FEDERAL FUND REVENUES						
Medicaid Funds for Nursing Homes		22,500,000	23,400,000	24,336,000	25,309,440	26,321,818
Medicaid Funds for Birth Certificate Records Checks		900,000	927,000	954,810	983,454	1,012,958
TOTAL FEDERAL FUND REVENUES	**0**	**23,400,000**	**24,327,000**	**25,290,810**	**26,292,894**	**27,334,776**
NONBUDGETED REVENUES						
MVA Unemployment Insurance Clearance		900,000	1,200,000	400,000	400,000	400,000
TOTAL NONBUDGETED REVENUES	**0**	**900,000**	**1,200,000**	**400,000**	**400,000**	**400,000**
GENERAL FUND EXPENDITURES						
Fund Swaps and Cost Shifts						
Senior Drug Program for Kidney Disease	(2,500,000)	(3,000,000)	(3,000,000)			
Hospital Assessments and Savings for Medicaid Program		(259,925,000)	(259,925,000)	(259,925,000)	(259,925,000)	(259,925,000)
Education Jobs Fund Savings		(124,420,746)				
Highway User Revenues to Rainy Day Fund		(40,000,000)				
SDAT Property Valuation Paid with County Funds		(34,810,988)	(34,149,718)	(19,133,299)	(19,299,243)	(19,469,865)
Pension Costs for Local School Employees		(15,857,542)	(14,062,599)	(14,343,851)	(14,630,728)	(14,923,343)
Nursing Facility Assessments for Medicaid		(13,000,000)	(13,520,000)	(14,060,800)	(14,623,232)	(15,208,161)
CareFirst Subsidy for Kidney Disease Program		(8,600,000)	(8,600,000)	(11,600,000)	(11,600,000)	(11,600,000)
Use Bonds for Aging Schools Program		(6,108,990)	(8,609,000)	(8,609,000)	(8,609,000)	(8,609,000)
Local School Board Payments for Students in State Care		(3,534,620)	(3,569,966)	(3,605,665)	(3,641,721)	(3,678,139)
Forest and Park PILOTs		(1,740,000)	(1,740,000)			
9-1-1 Fees for State Police IT Projects		(1,000,000)				
Pension Costs for Local Community College Employees		(757,696)	(671,930)	(685,369)	(699,076)	(713,058)
MD Heritage Areas Grants for Planning Administration		(500,000)				
RGGI Funds for Administrative Costs		(480,218)				
Traffic Surcharges for Riley Tuition Reimbursements		(340,979)	(340,979)	(340,979)	(340,979)	(340,979)
Academic Program Review Fees for Administration		(253,208)	(258,272)	(263,437)	(268,706)	(274,080)
Payroll Garnishment Fees for Administration		(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Subtotal -- Fund Swaps and Cost Shifts	***(2,500,000)***	***(514,379,987)***	***(348,497,464)***	***(332,617,400)***	***(333,687,685)***	***(334,791,625)***
Cost Control Measures						
Restructured Employee and Teacher Pensions		(104,000,000)	(104,000,000)	(50,400,000)	(68,800,000)	(89,800,000)
Eliminate State Employee Merit Increases		(63,296,862)	(128,112,849)	(178,660,203)	(134,336,058)	(137,560,124)
Restructured Retiree Prescription Drug Benefit		(13,900,001)	(14,734,001)	(15,618,041)	(16,555,123)	(17,548,430)
Group Home and Nonpublic Placement Rates		(9,698,507)	(10,089,522)	(10,504,084)	(10,939,597)	(11,414,897)
Subtotal -- Cost Control Measures	***0***	***(190,895,370)***	***(256,936,372)***	***(255,182,328)***	***(230,630,778)***	***(256,323,451)***

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Mandate Relief						
Per Pupil Foundation Amount		(35,267,289)	(35,889,146)	(40,078,204)	(41,363,445)	(42,882,654)
Library Funding		(4,078,342)	(4,108,751)	(4,114,919)	(4,119,566)	(4,157,854)
Statewide and Health Manpower Grant Program		(3,708,885)	(3,855,145)	(4,015,920)	(4,161,147)	(4,336,460)
Elimination of Distinguished Scholar Program		(1,050,000)	(2,100,000)	(3,150,000)	(4,200,000)	(4,200,000)
Cade Formula for Community Colleges			(21,686,828)	(34,965,361)	(42,060,582)	(37,230,359)
Sellinger Formula for Independent Colleges and Universities			(1,259,667)	(2,163,944)	(1,784,799)	(1,840,784)
MARBIDCO			(1,000,000)			
Baltimore City Community College Formula					(177,913)	(184,055)
Subtotal -- GF Mandate Relief	***0***	***(44,104,516)***	***(69,899,537)***	***(88,488,348)***	***(97,867,452)***	***(94,832,166)***
Local Aid Increases						
Cap on Decreases in Education Aid		1,420,461				
Disparity Grant		8,809,940				
Guaranteed Tax Base		12,223,682				
Subtotal – Local Aid Increases	***0***	***22,454,083***	***0***	***0***	***0***	***0***
Other General Fund Expenditure Impacts						
Defer Education Funding Adequacy Study			(250,000)	(125,000)	125,000	125,000
Agency Payments for SRA Administrative Costs			6,172,716	6,296,171	6,422,094	6,550,534
Comptroller Administrative Costs for Tax Clearance		289,680	284,665	148,509	154,957	161,688
Medicaid Costs for Birth Certificate Fee Increase		900,000	927,000	954,810	983,454	1,012,958
Agency Payments for Employee and Retiree Health		14,400,000				
DHMH Retention Bonuses	30,000					
Subtotal -- Other GF Expenditure Measures	***30,000***	***15,589,680***	***7,134,381***	***7,274,490***	***7,685,505***	***7,850,180***
TOTAL GENERAL FUND EXPENDITURES	**(2,470,000)**	**(711,336,110)**	**(668,198,992)**	**(669,013,586)**	**(654,500,410)**	**(678,097,062)**
SPECIAL FUND EXPENDITURES						
Transfer Tax Projects		(94,491,115)				
Bay Restoration Fund Projects		(40,000,000)				
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund		(20,169,444)	(15,076,582)	(11,535,845)	(8,049,199)	(4,624,687)
State Employee Merit Increases		(16,906,222)	(34,218,193)	(47,719,096)	(35,880,377)	(36,741,506)
Restructured Employee and Teacher Pensions		(8,000,000)	(8,000,000)	(4,800,000)	(6,600,000)	(8,600,000)
Restructured Retiree Prescription Drug Benefit		(3,383,226)	(3,586,220)	(3,801,393)	(4,029,477)	(4,271,246)
Special Loan Programs Fund		(2,200,000)				
Neighborhood Business Development Fund		(2,050,000)				
Homeownership Programs Fund		(1,500,000)				
Waterway Improvement Fund		(1,090,000)				

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Spinal Cord Injury Research Trust Fund		(500,000)				
Not-for-profit Development Center Program Fund		(125,000)				
Speed Camera Revenues for Transportation Projects			(2,250,000)	(3,000,000)	(3,000,000)	
Agency Payments for SRA Administrative Costs			1,946,474	1,985,403	2,025,111	2,065,614
Speed Camera Revenues for Police Vehicles and Equipment			2,250,000	3,000,000	3,000,000	
Payroll Attachment Fees		50,000	50,000	50,000	50,000	50,000
MVA Administrative Costs for Tax Clearance		98,441	108,729	80,632	83,286	86,046
MHEC Fees for Academic Program Review		253,208	258,272	263,437	268,706	274,080
Riley Fire and Emergency Medical Tuition Reimbursement		340,979	340,979	340,979	340,979	340,979
Community College Payments for SRA Admin/GF Replacement		757,696				
9-1-1 Trust Fund		1,000,000				
Local School Board Payments for Students in State Care		3,534,620	3,569,966	3,605,665	3,641,721	3,678,139
Agency Payments for Employee and Retiree Health		4,800,000				
Local School Board Payments for SRA Admin/GF Replacement		15,857,542				
County Payments for Property Valuation		34,810,988	34,149,718	19,133,299	19,299,243	19,469,865
Nursing Facility Quality Assessments		35,500,000	36,920,000	38,396,800	39,932,672	41,529,979
Hospital Assessments for Medicaid		259,925,000				
Senior Drug Program for Kidney Disease	2,500,000	3,000,000	3,000,000			
TOTAL SPECIAL FUND EXPENDITURES	**2,500,000**	**169,513,467**	**19,463,143**	**(4,000,119)**	**11,082,665**	**13,257,263**
FEDERAL FUND EXPENDITURES						
Eliminate State Employee Merit Increases		(9,732,557)	(19,698,695)	(27,470,882)	(20,655,579)	(21,151,313)
Restructured Employee and Teacher Pensions		(8,000,000)	(8,000,000)	(4,800,000)	(6,600,000)	(8,600,000)
Restructured Retiree Prescription Drug Benefit		(2,293,207)	(2,430,799)	(2,576,647)	(2,731,246)	(2,895,121)
Group Home and Nonpublic Placement Rates		(1,065,946)	(1,087,265)	(1,109,010)	(1,131,190)	(1,153,814)
Agency Payments for SRA Administration			1,946,474	1,985,403	2,025,111	2,065,614
Medicaid Costs for Birth Certificate Fee Increase		900,000	927,000	954,810	983,454	1,012,958
Agency Payments for Employee and Retiree Health		4,800,000				
Medicaid Match for Nursing Home Assessments		22,500,000	23,400,000	24,336,000	25,309,440	26,321,818
TOTAL FEDERAL FUND EXPENDITURES	**0**	**7,108,290**	**(4,943,285)**	**(8,680,326)**	**(2,800,010)**	**(4,399,858)**
REIMBURSEABLE FUND EXPENDITURES						
Eliminate State Employee Merit Increases		(807,585)	(1,634,552)	(2,279,470)	(1,713,952)	(1,755,087)
Restructured Retiree Prescription Drug Benefit		(235,806)	(249,954)	(264,951)	(280,848)	(297,699)
TOTAL REIMBURSABLE EXPENDITURES	**0**	**(1,043,391)**	**(1,884,506)**	**(2,544,421)**	**(1,994,800)**	**(2,052,786)**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
HIGHER EDUCATION EXPENDITURES						
Eliminate State Employee Merit Increases		(15,134,149)	(30,631,518)	(42,717,286)	(32,119,474)	(32,890,342)
Restructured Retiree Prescription Drug Benefit		(3,631,029)	(3,848,891)	(4,079,824)	(4,324,613)	(4,584,090)
Fees for Academic Program Review		58,900	58,900	58,900	58,900	58,900
TOTAL HIGHER EDUCATION EXPENDITURES	**0**	**(18,706,278)**	**(34,421,509)**	**(46,738,210)**	**(36,385,187)**	**(37,415,532)**
BOND EXPENDITURES						
InterCounty Connector Payments		(21,500,000)	21,500,000			
Aging Schools Program		6,109,000	8,609,000	8,609,000	8,609,000	8,609,000
TOTAL BOND EXPENDITURES	**0**	**(15,391,000)**	**30,109,000**	**8,609,000**	**8,609,000**	**8,609,000**

Appendix C1
Reductions in Fiscal 2012 State Education Aid Due to Elimination of Inflation Factor in the Per Pupil Foundation Amount
($ in Thousands)

County	Foundation Program	Geographic Cost Index	Compensatory Education	Special Education	Limited English Proficiency	Guaranteed Tax Base	Impact of Reduced Per Pupil Amount
Allegany	($334)	$0	($165)	($41)	($1)	$53	($487)
Anne Arundel	(1,535)	(73)	(418)	(128)	(61)	0	(2,215)
Baltimore City	(3,079)	(182)	(2,499)	(434)	(104)	484	(5,814)
Baltimore	(2,719)	(44)	(904)	(236)	(95)	0	(3,997)
Calvert	(482)	(19)	(80)	(32)	(4)	0	(618)
Caroline	(193)	0	(91)	(16)	(8)	23	(285)
Carroll	(842)	(21)	(102)	(68)	(5)	0	(1,038)
Cecil	(515)	0	(160)	(48)	(5)	9	(720)
Charles	(867)	(29)	(201)	(55)	(7)	10	(1,148)
Dorchester	(142)	0	(68)	(10)	(2)	0	(223)
Frederick	(1,241)	(52)	(221)	(96)	(49)	0	(1,659)
Garrett	(95)	0	(38)	(8)	(0)	0	(141)
Harford	(1,179)	0	(254)	(115)	(14)	0	(1,562)
Howard	(1,262)	(41)	(165)	(76)	(53)	0	(1,598)
Kent	(25)	(1)	(20)	(5)	(1)	0	(53)
Montgomery	(2,388)	(263)	(854)	(277)	(406)	0	(4,186)
Prince George's	(3,739)	(316)	(1,596)	(298)	(458)	0	(6,408)
Queen Anne's	(170)	(5)	(34)	(15)	(3)	0	(227)
St. Mary's	(506)	(2)	(114)	(38)	(4)	0	(664)
Somerset	(99)	0	(58)	(11)	(3)	10	(162)
Talbot	(35)	0	(31)	(6)	(4)	0	(76)
Washington	(765)	0	(295)	(60)	(16)	51	(1,084)
Wicomico	(526)	0	(256)	(49)	(18)	69	(780)
Worcester	(52)	0	(54)	(12)	(3)	0	(121)
Unallocated/Statewide	0	0	0	0	0	0	0
Total	**($22,792)**	**($1,046)**	**($8,679)**	**($2,134)**	**($1,326)**	**$708**	**($35,267)**

Appendix C2
Reductions in Fiscal 2012 Direct Aid to Local Governments
($ in Thousands)

County	Education Aid	Library Aid	Community College Statewide and Health Manpower Grants	Program Open Space*	Reductions in Direct Local Aid
Allegany	($487)	($53)	$0	($232)	($773)
Anne Arundel	(2,215)	(141)	0	(2,509)	(4,866)
Baltimore City	(5,814)	(454)	0	(1,686)	(7,954)
Baltimore	(3,997)	(371)	0	(2,779)	(7,147)
Calvert	(618)	(28)	0	(245)	(890)
Caroline	(285)	(19)	0	(120)	(425)
Carroll	(1,038)	(72)	0	(557)	(1,667)
Cecil	(720)	(51)	0	(297)	(1,068)
Charles	(1,148)	(58)	0	(502)	(1,708)
Dorchester	(223)	(17)	0	(118)	(358)
Frederick	(1,659)	(88)	0	(572)	(2,319)
Garrett	(141)	(9)	0	(136)	(287)
Harford	(1,562)	(109)	0	(858)	(2,529)
Howard	(1,598)	(59)	0	(1,447)	(3,104)
Kent	(53)	(7)	0	(209)	(268)
Montgomery	(4,186)	(194)	0	(3,722)	(8,103)
Prince George’s	(6,408)	(401)	0	(3,137)	(9,946)
Queen Anne’s	(227)	(10)	0	(155)	(392)
St. Mary’s	(664)	(42)	0	(277)	(983)
Somerset	(162)	(18)	0	(73)	(253)
Talbot	(76)	(7)	0	(161)	(245)
Washington	(1,084)	(82)	0	(439)	(1,605)
Wicomico	(780)	(60)	0	(305)	(1,144)
Worcester	(121)	(10)	0	(305)	(436)
Unallocated/Statewide	0	(1,717)	(3,709)	0	(5,426)
Total	**($35,267)**	**($4,078)**	**($3,709)**	**($20,841)**	**($63,896)**

*Approximately $7 million of the reduction is replaced with general obligation bond funding in the fiscal 2012 capital budget.

Appendix C3
Fiscal 2012 Additions to Direct Aid to Units of Local Government
($ in Thousands)

County	Reductions in Direct Local Aid	Additions to Direct Local Aid: Disparity Grant*	Additions to Direct Local Aid: 6.5% Cap on Decreases in Education Aid*	Additions to Direct Local Aid: Guaranteed Tax Base*	Additions to Direct Local Aid: Local Highway User Revenues	Additions to Direct Local Aid: MVA Fees: Local Highway User Revenues	Net Impact on Direct Local Aid
Allegany	($773)	$0	$779	$0	$533	$3	$542
Anne Arundel	(4,866)	0	0	0	888	7	(3,971)
Baltimore City	(7,954)	0	0	12,223	0	448	4,717
Baltimore	(7,147)	0	0	0	754	7	(6,386)
Calvert	(890)	0	0	0	218	2	(670)
Caroline	(425)	0	0	0	228	1	(196)
Carroll	(1,667)	0	0	0	703	4	(960)
Cecil	(1,068)	0	0	0	345	2	(721)
Charles	(1,708)	0	0	0	309	2	(1,397)
Dorchester	(358)	0	0	0	263	2	(94)
Frederick	(2,319)	0	0	0	1,156	6	(1,157)
Garrett	(287)	0	641	0	237	2	592
Harford	(2,529)	0	0	0	652	4	(1,872)
Howard	(3,104)	0	0	0	283	3	(2,819)
Kent	(268)	0	0	0	128	1	(140)
Montgomery	(8,103)	0	0	0	1,985	12	(6,106)
Prince George’s	(9,946)	8,820	0	0	2,241	12	1,127
Queen Anne’s	(392)	0	0	0	155	1	(236)
St. Mary’s	(983)	0	0	0	167	1	(815)
Somerset	(253)	0	0	0	119	1	(134)
Talbot	(245)	0	0	0	283	2	40
Washington	(1,605)	0	0	0	718	4	(884)
Wicomico	(1,144)	0	0	0	509	3	(633)
Worcester	(436)	0	0	0	392	2	(42)
Unallocated/Statewide	(5,426)	0	0	0	0	0	(5,426)
Total	**($63,896)**	**$8,820**	**$1,420**	**$12,223**	**$13,262**	**$531**	**($27,639)**

*Contingent on the enactment of Senate Bill 994 (Chapter 571 of 2011) and the Governor transferring the funds authorized in the fiscal 2012 State budget (Chapter 395 of 2011).

Appendix C4
Total Impact on Fiscal 2012 Local Aid
($ in Thousands)

County	Net Impact on Direct Local Aid	Retirement Payments on Behalf of Local Boards: Boards of Education	Libraries	Community Colleges	Total Impact on Local Aid
Allegany	$542	($804)	($11)	($179)	($451)
Anne Arundel	(3,971)	(6,194)	(109)	(451)	(10,725)
Baltimore City	4,717	(6,956)	(161)	0	(2,400)
Baltimore	(6,386)	(8,424)	(181)	(688)	(15,679)
Calvert	(670)	(1,491)	(29)	(40)	(2,230)
Caroline	(196)	(427)	(11)	(27)	(660)
Carroll	(960)	(2,198)	(60)	(98)	(3,316)
Cecil	(721)	(1,315)	(29)	(61)	(2,127)
Charles	(1,397)	(2,156)	(26)	(126)	(3,705)
Dorchester	(94)	(365)	(7)	(24)	(491)
Frederick	(1,157)	(3,218)	(62)	(155)	(4,592)
Garrett	592	(371)	(8)	(33)	179
Harford	(1,872)	(2,990)	(97)	(216)	(5,175)
Howard	(2,819)	(5,214)	(128)	(250)	(8,411)
Kent	(140)	(203)	(5)	(11)	(358)
Montgomery	(6,106)	(15,010)	0	(1,068)	(22,183)
Prince George's	1,127	(10,978)	(164)	(519)	(10,534)
Queen Anne's	(236)	(596)	(10)	(30)	(872)
St. Mary's	(815)	(1,307)	(23)	(43)	(2,187)
Somerset	(134)	(259)	(5)	(11)	(408)
Talbot	40	(340)	(9)	(24)	(334)
Washington	(884)	(1,699)	(33)	(135)	(2,751)
Wicomico	(633)	(1,223)	(17)	(69)	(1,941)
Worcester	(42)	(685)	(17)	(28)	(772)
Unallocated/Statewide	(5,426)	0	0	0	(5,426)
Total	**($27,639)**	**($74,422)**	**($1,203)**	**($4,285)**	**($107,549)**

Appendix C5
Total Fiscal 2012 Net Impact on Counties
($ in Thousands)

County	Reduction in Local Aid	Reduction in State Park PILOTs	Reductions in Aid and Payments to Counties	New Costs for Local Governmental Units: Property Valuation	Retirement Administrative Costs for Schools	Retirement Administrative Costs for Colleges	Education Costs for Children in State Care	Total Impact
Allegany	($451)	($163)	($614)	$623	$179	$35	$0	($1,451)
Anne Arundel	(10,725)	(280)	(11,004)	3,296	1,325	74	0	(15,699)
Baltimore City	(2,400)	0	(2,400)	3,551	1,497	0	0	(7,448)
Baltimore	(15,679)	(120)	(15,799)	4,561	1,889	117	0	(22,367)
Calvert	(2,230)	(4)	(2,234)	620	302	8	0	(3,164)
Caroline	(660)	(33)	(693)	245	109	5	0	(1,052)
Carroll	(3,316)	(13)	(3,328)	991	506	19	0	(4,844)
Cecil	(2,127)	(88)	(2,214)	696	317	19	0	(3,246)
Charles	(3,705)	(24)	(3,729)	1,011	472	26	0	(5,237)
Dorchester	(491)	0	(491)	334	90	5	0	(920)
Frederick	(4,592)	(93)	(4,685)	1,298	731	25	0	(6,739)
Garrett	179	(272)	(93)	411	83	8	0	(595)
Harford	(5,175)	(24)	(5,199)	1,467	743	51	0	(7,461)
Howard	(8,411)	(39)	(8,449)	1,624	1,118	44	0	(11,236)
Kent	(358)	0	(358)	188	50	2	0	(597)
Montgomery	(22,183)	(37)	(22,221)	5,204	2,790	145	0	(30,360)
Prince George’s	(10,534)	(8)	(10,542)	4,459	2,216	107	0	(17,325)
Queen Anne’s	(872)	(3)	(875)	360	146	6	0	(1,387)
St. Mary’s	(2,187)	(81)	(2,269)	700	291	9	0	(3,268)
Somerset	(408)	(33)	(441)	249	65	2	0	(757)
Talbot	(334)	(2)	(336)	294	79	5	0	(713)
Washington	(2,751)	(13)	(2,764)	914	388	27	0	(4,093)
Wicomico	(1,941)	0	(1,941)	735	319	14	0	(3,008)
Worcester	(772)	(412)	(1,184)	978	154	5	0	(2,322)
Unallocated/Statewide	(5,426)	0	(5,426)	0	0	0	3,535	(8,961)
Total	**($107,549)**	**($1,740)**	**($109,289)**	**$34,811**	**$15,858**	**$758**	**$3,535**	**($164,249)**