SB 127

Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 127 (The President)(By Request - Administration)
Budget and Taxation

Budget Reconciliation and Financing Act of 2013

This Administration bill executes actions to enhance revenues and reduce future year general fund expenditures.

The bill takes effect June 1, 2013, with the exception of the repeal of the Maryland-mined coal tax credit. That provision takes effect July 1, 2013, and applies to tax year 2013 and beyond.

Fiscal Summary

State Effect: General fund revenues decline by $14.4 million while special fund revenues increase by $15.4 million in FY 2013, due to transfer of $15.4 million from the Local Income Tax Reserve Account to the Maryland Department of Transportation (MDOT) offset by a transfer of $1.0 million from the State Insurance Trust Fund to the general fund. General fund revenues increase by $97.7 million in FY 2014 due to fund balance transfers, revenue enhancements, and dedicated revenue relief. General fund expenditures decrease by $102.7 million in FY 2014 from fund swaps, cost shifts, and mandate relief. Special fund revenues decrease by $0.3 million in FY 2014 due to transfers and cost shifts. Special fund expenditures decrease by $70.8 million in FY 2014, mostly due to shifting transfer tax revenues that would otherwise be spent on Program Open Space (POS) and related programs to the general fund. Future year estimates reflect the ongoing effects of the bill. **This bill reduces existing mandated appropriations.**

($ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF Revenue	($14.4)	$97.7	$83.6	$83.2	$88.4
SF Revenue	$15.4	($.3)	($.3)	($.4)	($.4)
GF Expenditure	$0	($102.7)	($92.9)	($51.7)	($51.7)
SF Expenditure	$0	($70.8)	($73.9)	($76.5)	($81.6)
Net Effect	$1.0	$271.0	$250.0	$211.0	$221.2

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

Local Effect: Local revenues for the POS local share decline by $23.7 million in FY 2014; however, these funds are programmed to be fully replaced from FY 2015 through 2016 with general obligation (GO) bonds as provided in the Governor's proposed FY 2014 capital budget. The local share of POS is also impacted in fiscal 2015 through 2018, though replacement with GO bonds is also proposed. Local school boards will pay an estimated $1.7 million annually beginning in FY 2014 toward nonpublic education placement of children in detention facilities with the Department of Juvenile Services (DJS) for 15 or more consecutive days.

Small Business Effect: The Administration has determined that some of the provisions in this bill may have meaningful positive or negative impacts on small business (attached as pages 43-44). The Department of Legislative Services generally concurs with this assessment.

Analysis

Bill Summary: A brief overview of the bill's provisions is provided below. In general, the bill's actions enhance revenues and transfer funds, provide mandate relief, implement fund swaps and cost shifts, and control costs.

Revenue Enhancement and Transfers to the General Fund

- Transfers between $75.1 million and $89.2 million in transfer tax revenues to the general fund annually in fiscal 2014 through 2018.
- Accelerates repeal of the Maryland-mined coal tax credit from tax year 2021 to tax year 2013.
- Redirects certain admissions and amusement tax revenues currently allocated to the Special Fund for Preservation of Cultural Arts in Maryland to the general fund.
- Transfers $1.0 million from the State Insurance Trust Fund in fiscal 2013.
- Repeals the requirement that the Comptroller publish notice of abandoned property accounts in local newspapers of general circulation.

Mandate Relief

- Repeals the requirement that the State annually transfer $50.0 million to the Local Income Tax Reserve Account in fiscal 2014 through 2020.
- Defers the required repayment of State transfer tax revenue from fiscal 2014 to 2016.

Fund Swaps and Cost Shifts

- Transfers $15.4 million from the Local Income Tax Reserve Account to a special fund in MDOT in fiscal 2013 to provide transportation grants to municipalities in fiscal 2014.
- Requires local school boards to reimburse DJS for the education costs of children from the county that are placed in detention facilities for 15 or more consecutive days.
- Authorizes the use of a portion of the State's share of POS funds for administrative expenses in the Department of Natural Resources, the Department of General Services, and the Maryland Department of Planning in fiscal 2014 and 2015.

Cost Control Measures

- Limits growth in fiscal 2014 rates paid to providers of nonpublic special education placements to no more than 2.5% over the rates in effect on January 16, 2013.
- Limits growth in fiscal 2014 rates paid to residential child care providers that have their rates set by the Interagency Rates Committee to no more than 2.5% over the rates in effect on January 16, 2013.
- Requires the Department of Health and Mental Hygiene to achieve $30.0 million in general fund savings in fiscal 2014 from a combination of specified actions.
- Requires the Health Services Cost Review Commission (HSCRC) to submit a report by December 15, 2013, that identifies projected Medicaid savings from tiered hospital rates.
- Authorizes HSCRC to take actions to ensure that the $30.0 million in general fund Medicaid savings occur.

Other Provisions

- Specifies how horse racing local impact aid grants must be distributed when revenues are insufficient to fully fund the grants.
- Authorizes the transfer of $2.0 million from the Small, Minority, and Women-Owned Business Account to the Maryland Small Business Development Financing Authority's Contract Financing Fund in fiscal 2014.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. The General Assembly cannot add general fund spending to the budget introduced by the Governor, nor can general funds be used to restore reductions made by the General Assembly after adoption of the budget, except through an approved deficiency appropriation in the following year's budget.

Background: The December 2012 Spending Affordability Committee (SAC) report noted that the State's budgetary outlook shows modest improvement as the State and nation slowly continue the recovery from the national recession that began in December 2007. The actions taken in the 2012 first special session to increase certain taxes and voter approval of an expanded gaming program at the November 2012 election have improved the overall revenue and general fund outlook. Looming on the horizon, however, is uncertainty about potential actions – or inaction – at the federal level, which could significantly affect the State budget and revenue generation.

The baseline projection for fiscal 2014 resulted in an estimated structural deficit of $383.2 million, which is estimated to narrow to approximately $133.9 million in fiscal 2017, when the full impact of legislative actions and authorized gaming revenues are realized. In recognition of this outlook, SAC recommended that the fiscal 2014 budget as introduced and enacted resolve at least $200.0 million of the general fund structural gap. With this reduction, SAC stated that any residual budget gap will be within normal budget management tolerances. SAC also recommended that the fiscal 2014 budget should result in a general fund balance of at least $200.0 million. This bill implements statutory changes that, combined with the Governor's proposed fiscal 2014 budget (SB 125/HB 100), accomplish these goals.

State Fiscal Effect: Estimates of the fiscal 2013 and 2014 impact of the bill on the State's general fund are shown in **Exhibit 1**.

In fiscal 2013, general fund revenues decline by a net of $14.4 million, due to transfer of $15.4 million in Local Income Tax Reserve Account funds to MDOT to be used in fiscal 2014 for transportation grants to municipalities and the transfer of $1.0 million to the general fund from the State Insurance Trust Fund. The State's general fund position improves by $200.3 million in fiscal 2014, through a combination of transfers, general fund enhancement, dedicated revenue relief, fund swaps and cost shifts, and mandate relief. The two-year impact on the general fund sums to $186.0 million.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 8). The fiscal 2013 to 2018 State effects for each provision, including the general fund impacts, the effects on any other fund types, and information about any related contingent actions in the Governor's proposed fiscal 2014 budget are included with the discussions. **Appendix B** (pages 35-36) identifies the fiscal impact of separate provisions by fund type.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2013
Fiscal 2013 and 2014
($ in Millions)

	FY 2013	FY 2014
Revenues		
Transfers	($14.4)	$89.2
General Fund Enhancement	0.0	6.5
Dedicated Revenue Relief	0.0	2.0
Revenue Subtotal	($14.4)	$97.7
Expenditures		
Fund Swaps and Cost Shifts	$0.0	($2.7)
Mandate Relief	0.0	(100.0)
Expenditure Subtotal	$0.0	($102.7)
General Fund Improvement	**($14.4)**	**$200.3**

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

Local Fiscal Effect: In fiscal 2014, revenues for municipalities increase by $15.4 million from MDOT transportation grants. Grants will be distributed in the same manner as highway user revenues (based on a local jurisdiction's registrations and road miles). **Appendix C** (pages 37-41) shows the anticipated grants by municipality. Funding from highway user revenues for municipalities is anticipated to be approximately $7.0 million in fiscal 2014.

Also in fiscal 2014, a total of $23.7 million is transferred from the POS local share. The fiscal 2014 reduction by county resulting from this transfer is shown in **Exhibit 2**. Under the Administration's budget plan, all of these local funds would be replaced with GO bonds in fiscal 2015 and 2016.

Exhibit 2
Impact of Budget Reconciliation and Financing Act on Fiscal 2014 Direct Aid to Counties and Municipalities
($ in Thousands)

County	**Program Open Space**
Allegany	($264)
Anne Arundel	(2,858)
Baltimore City	(1,892)
Baltimore	(3,225)
Calvert	(284)
Caroline	(125)
Carroll	(640)
Cecil	(330)
Charles	(583)
Dorchester	(107)
Frederick	(673)
Garrett	(133)
Harford	(951)
Howard	(1,706)
Kent	(80)
Montgomery	(4,314)
Prince George's	(3,644)
Queen Anne's	(174)
St. Mary's	(323)
Somerset	(77)
Talbot	(182)
Washington	(502)
Wicomico	(335)
Worcester	(325)
Total	**($23,727)**

Source: Department of Legislative Services

Beginning in fiscal 2014, expenditures for local boards of education increase annually to reimburse DJS for nonpublic education placement of children in detention facilities for 15 or more consecutive days. The requirement excludes children in State-supervised care who are nonpublic special education placements. The total impact on all local boards of education is anticipated to be approximately $1.7 million annually.

Additional Information

Prior Introductions: None.

Cross File: HB 102 (The Speaker)(By Request - Administration) - Appropriations.

Information Source(s): Dorchester, Garrett, and Montgomery counties; City of Rockville; State Department of Assessments and Taxation; Maryland Department of Agriculture; Department of Business and Economic Development; Governor's Office for Children; Department of Budget and Management; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Department of General Services; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Comptroller's Office; Department of Juvenile Services; Department of Labor, Licensing, and Regulation; Maryland Association of Counties; Maryland Municipal League; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2013
mc/rhh

Analysis by: Jennifer B. Chasse

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Appendix A – Contents

Transfer Tax Special Fund

Provision in the Bill: Authorizes the transfer of $89,198,555 in transfer tax revenues to the general fund in fiscal 2014, $75,062,000 in fiscal 2015, $77,654,000 in fiscal 2016, $82,771,000 in fiscal 2017, and $86,028,000 in fiscal 2018. The transfers may not be taken into account for purposes of determining any allocation or appropriation required under the statutory provisions relating to the repayment of the transfers in subsequent years.

Agencies: Department of Natural Resources; Maryland Department of Agriculture

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Rev	$0	$89.2	$75.1	$77.7	$82.8	$86.0
SF Exp	$0	($89.2)	($75.1)	($77.7)	($82.8)	($86.0)

State Effect: General fund revenues increase by $89.2 million in fiscal 2014, $75.1 million in fiscal 2015, $77.7 million in fiscal 2016, $82.8 million in fiscal 2017, and $86.0 million in fiscal 2018 due to the transfers. It is assumed that, without the transfer, these special funds would have been used to support Program Open Space (POS), the Rural Legacy Program, the Maryland Agricultural Land Preservation Foundation (MALPF), and the Heritage Conservation Fund in fiscal 2014 through 2018. Thus, special fund expenditures decrease by a corresponding amount in each respective year. The Governor's proposed fiscal 2014 budget reduces special fund expenditures for the Department of Natural Resources (DNR) and the Maryland Department of Agriculture (MDA) by $89.2 million, contingent upon the enactment of legislation crediting transfer tax revenues to the general fund.

As the bill specifies that the transfers may not be considered for purposes of determining any allocation or appropriation required for the repayment of the State transfer tax, the funds may be transferred without future repayment to the affected programs. However, although not required by the bill, $83.5 million of the $89.2 million in transferred funds are programmed to be replaced over a three-year period (fiscal 2014 through 2016) with general obligation (GO) bonds, as provided in the proposed fiscal 2014 capital budget, which includes preauthorization language for the replacement of funds planned for fiscal 2015 and 2016.

The fiscal 2014 transfers and the replacement schedule are shown by agency in **Exhibit 1**. The total $89.2 million transferred includes (1) $21.9 million in POS State share; (2) $23.7 million in POS local share; (3) $14.7 million in POS capital improvements; (4) $10.7 million in Rural Legacy Program funds; and (5) $18.1 million from MALPF. Exhibit 1 also shows the proposed fiscal 2015 through 2018 transfers and the corresponding replacement schedule, which continues through fiscal 2020. A total of $321.5 million is transferred between fiscal 2015 and 2018.

Exhibit 1
Proposed Transfers and Replacement Schedule by Agency
Fiscal 2014-2020
($ in Millions)

	MDA	DNR	Total
FY 2014 Transfer	**$18.11**	**$71.09**	**$89.20**
FY 2014 GO Bond Replacement	0.00	9.03	9.03
FY 2015 GO Bond Replacement	9.05	28.20	37.25
FY 2016 GO Bond Replacement	9.05	28.20	37.25
FY 2014-2016 Total Replacement	**$18.11**	**$65.43**[1]	**$83.54**
FY 2015-2018 Transfers	**$67.64**	**$253.88**	**$321.52**
FY 2016 GO Bond Replacement	7.91	29.62	37.53
FY 2017 GO Bond Replacement	16.09	60.27	76.36
FY 2018 GO Bond Replacement	16.88	63.34	80.21
FY 2019 GO Bond Replacement	17.73	66.67	84.40
FY 2020 GO Bond Replacement	9.03	33.98	43.01
FY 2015-2020 Total Replacement	**$67.64**	**$253.88**	**$321.52**

DNR = Department of Natural Resources
GO = general obligation
MDA = Maryland Department of Agriculture

[1]The $5.7 million that is not replaced reflects the allocation for the Natural Resources Development Fund, a component of POS capital improvements.

Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

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 Program, and MALPF. Under this bill, in fiscal 2014 a total of $52.5 million is transferred from these programs (including $23.7 million in funds from the POS local share); however, those funds are programmed to be fully replaced from fiscal 2014 through 2016 with GO bond funds as provided in the proposed fiscal 2014 capital budget (including preauthorizations for fiscal 2015 and 2016). If the fiscal 2014 capital budget provides for this replacement, then some of the funding that otherwise would have been provided to local governments in fiscal 2014 may be delayed, but the total amount provided over the three-year period is not affected.

The fiscal 2015 through 2018 transfers also impact funding for the local share of POS, Rural Legacy Program, and MALPF. Similar to the fiscal 2014 transfers and fiscal 2014 through 2016 replacements, if the fiscal 2015 through 2018 transfers are replaced with GO bonds in fiscal 2016 through 2020 as proposed, some of the funding for local governments may be delayed, but the total amount provided over the five-year period is not affected.

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 2**, from fiscal 2006 through 2013, a total of $629.9 million in transfer tax revenue and fund balances has been redirected, of which $505.0 million has been or is scheduled to be replaced through fiscal 2015, pursuant to current law.

Exhibit 2
Transfer Tax Transferred to the General Fund and Replacement Schedule under Current Law, Reflecting Actions Taken through the 2012 First Special Session
Fiscal 2006-2015
($ 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	135.6
2011	23.5	156.5
2012	94.5	46.2
2013	96.9	81.9
2014 Est.	0.0	55.0
2015 Est.	0.0	29.8
Total	**$629.9**	**$505.0**

Note: This exhibit reflects all $70.0 million of POS Acquisition Opportunity Loan of 2009 funding split between fiscal 2010 and 2011. In addition, the exhibit reflects all actions taken up to and including the 2012 first special session; thus, transfers and replacements authorized in the Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the 2012 first special session) and the fiscal 2013 capital budget, including preauthorizations of GO bonds in fiscal 2014 and 2015, are shown even though the proposed fiscal 2014 capital budget modifies those preauthorizations. Transfers proposed in this bill and additional replacement of funds planned in the *Capital Improvement Program* are not included.

This exhibit does not reflect repayment of the $90.0 million in transfer tax revenue transferred to the general fund in fiscal 2006. For more information on that transfer and the required repayment provision, please see the Deferral of Transfer Tax Payment provision of this bill.

Funds transferred under the Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the 2012 first special session) went to the Budget Restoration Fund rather than the general fund; even so, these fund transfers are reflected above.

Source: Department of Legislative Services

Location of Provision(s) in the Bill: Section 1 (p. 8)

Analysis prepared by: Andrew D. Gray

Maryland-mined Coal Tax Credit

Provision in the Bill: Accelerates the termination date for the Maryland-mined coal tax credit from tax year 2021 to tax year 2013.

Agency: Comptroller's Office

Type of Action: Revenue enhancement; tax credit elimination

Fiscal Impact:	*($ in millions)* FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Rev	$0	$6.0	$6.0	$3.0	$3.0	$3.0

State Effect: General fund revenues increase by $6.0 million in fiscal 2014. Future year revenue increases reflect the estimated annual amount of credits that can be claimed under current law. Accelerating the termination date increases State revenues by a total of $30.0 million through fiscal 2021.

Program Description: Maryland public service companies and specified co-generators and electricity suppliers can claim a $3 per ton credit for the amount of Maryland-mined coal purchased in a calendar year. Companies are not required to consume the coal in order to claim the credit. The credit can be claimed against the public service franchise tax and the State income tax.

Recent History: Chapters 247 and 248 of 2006 (SB 335/HB 487) capped the maximum annual amount of credits that can be claimed through tax year 2020 and terminated the credit beginning in tax year 2021. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced these amounts in tax years 2009 through 2012. The maximum that can currently be claimed is $6.0 million annually in tax years 2013 and 2014 and $3.0 million annually in tax years 2015 through 2020.

For more information on the credit, please see the fiscal and policy note for HB 11 of 2013, which can be found at: http://mgaleg.maryland.gov/2013RS/fnotes/bil_0001/hb0011.pdf.

Location of Provisions in the Bill: Sections 2 and 9 (pp. 8 and 10)

Analysis prepared by: Robert J. Rehrmann

Admissions and Amusement Tax – Special Fund for Preservation of Cultural Arts in Maryland

Provision in the Bill: Repeals the requirement that revenues attributable to an admissions and amusement tax rate of 5% imposed on net proceeds from electronic bingo and tip jar machines be distributed to the Special Fund for Preservation of Cultural Arts in Maryland and redirects those revenues to the general fund.

Agency: Department of Business and Economic Development

Type of Action: General fund revenue enhancement; special fund revenue reduction

Fiscal	*($ in millions)*					
Impact:	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
GF Rev	$0	$2.0	$2.0	$2.1	$2.1	$2.2
SF Rev	$0	($2.0)	($2.0)	($2.1)	($2.1)	($2.2)

State Effect: General fund revenues increase by an estimated $1,957,500 in fiscal 2014, with a corresponding decrease in revenues for the Special Fund for Preservation of Cultural Arts in Maryland. Future year estimates assume 3% annual revenue growth from the admissions and amusement tax imposed on electronic bingo and tip jar machines.

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 from electronic bingo and tip jar machine proceeds and any other money accepted for the benefit of the fund. The fund is used to provide supplemental grants to cultural arts organizations in the State that qualify for general operating support grants from the Maryland State Arts Council. These grants may not supplant other funding that the organization qualifies to receive. Due to the diversion of funds for cost containment and other budgetary purposes, the special fund has never been used for its intended purposes.

Recent History: Chapter 661 of 2009 (HB 193) increased the State admissions and amusement tax rate on the net proceeds from electronic bingo and tip jar machines from 20% to 30% and distributed revenue attributable to the tax rate of 20% to the general fund and revenue attributable to the tax rate increase to a newly established Special Fund for Preservation of Cultural Arts in Maryland. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) altered the distribution of the revenue to provide greater support for the general fund in fiscal 2010 and 2011. The Budget Reconciliation and Financing Act of 2011 (Chapter 397) required, for fiscal 2012 only, that $500,000 in revenues be distributed to the special fund and the balance to the general fund.

Chapter 603 of 2012 (SB 864) increased the tax rate to 33% on specified machines in Calvert County and further altered the distribution of revenue, directing 5% to the Special Fund for Preservation of Cultural Arts in Maryland.

Location of Provision(s) in the Bill: Section 1 (pp. 6-7)

Analysis prepared by: Heather N. Ruby

State Insurance Trust Fund

Provision in the Bill: Authorizes the transfer of $1,000,000 from the State Insurance Trust Fund to the general fund in fiscal 2013.

Agency: Office of the State Treasurer

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
GF Rev	$1.0	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund revenues increase by $1.0 million in fiscal 2013 due to the transfer. Future years are not affected. The transfer will reduce the estimated balance on June 30, 2013, to $27.7 million, which is $67,000 above the actuarial recommended minimum 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: More than $22.4 million has been transferred from the State Insurance Trust Fund since fiscal 2002. The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $5.0 million to the general fund in fiscal 2002, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $10.0 million to the general fund in fiscal 2009, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred $5.2 million to the general fund in fiscal 2010, and the Budget Reconciliation and Financing Act of 2011 (Chapter 397) transferred $2.0 million to the general fund in fiscal 2012. The Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the 2012 first special session) transferred $206,000 to the Budget Restoration Fund in fiscal 2013.

Location of Provision(s) in the Bill: Section 3 (p. 8)

Analysis prepared by: Steven D. McCulloch

Abandoned Property Notification Procedures

Provisions in the Bill: Repeal a requirement that the Comptroller publish notice of abandoned property accounts in local newspapers of general circulation. The Comptroller's Office is instead required to maintain an abandoned property database and publish notification of abandoned property accounts on an Internet website. The Comptroller must publish notice of the website at least once each quarter in local newspapers of general circulation.

Agency: Comptroller's Office

Type of Action: Revenue enhancement; cost control

Fiscal Impact:	*(in dollars)* **FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
GF Rev	$0	$500,000	$500,000	$500,000	$500,000	$500,000
SF Exp	$0	($500,000)	($500,000)	($500,000)	($500,000)	($500,000)

State Effect: Beginning in fiscal 2014, special fund expenditures decrease by $500,000 annually due to the modification of the newspaper advertising requirement. The Governor's proposed fiscal 2014 budget includes a $500,000 special fund expenditure decrease contingent on the enactment of legislation to repeal the current notification procedures for abandoned property. It is anticipated that general fund revenues will increase by a corresponding dollar amount when, as required by statute, the special fund balance is transferred to the general fund at year-end.

Program Description: The Comptroller's Office is required to publish the names of newly reported owners of property presumed abandoned within 365 days of the filing of the report by the holder of the abandoned property, if the property has a value of at least $100. Notice of property valued at $100 or less is not required to be published unless the Comptroller's Office considers publication to be in the public interest.

Recent History: These provisions were included in the proposed budget reconciliation legislation in 2010, 2011, and 2012, but were removed from the bills prior to final passage.

Location of Provision(s) in the Bill: Section 1 (pp. 4-6)

Analysis prepared by: Michael Bender

Local Income Tax Reserve Account

Provision in the Bill: Repeals the requirement that the State transfer $50,000,000 annually to the Local Income Tax Reserve Account in fiscal 2014 through 2020.

Agency: Comptroller's Office

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
GF Exp	$0	($50.0)	($50.0)	($50.0)	($50.0)	($50.0)

State Effect: The Governor's proposed fiscal 2014 budget includes $50.0 million in general funds for repayment to the Local Income Tax Reserve Account. However, the funding is eliminated contingent upon legislation repealing the required repayment to the account. Thus, this provision reduces general fund expenditures by $50.0 million in fiscal 2014. Repeal of the repayment provision also decreases general fund expenditures by $50.0 million annually in fiscal 2015 through 2020. Repealing the repayment of these funds creates an additional unfunded liability on the State's balance sheet.

Program Description: The Local Income Tax Reserve Account is used to manage the cash flow of personal income tax payments and distributions to local governments. It is administered by the Comptroller's Office. The account is also used to meet the State's liability for local income taxes according to generally accepted accounting principles. Each month a portion of personal income tax net receipts is put into the account, representing an estimate of local income tax payments. In all but two months, a distribution of local income tax revenue is made from the account to local governments. The account balance fluctuates throughout the year, but the balance was $930.7 million at the end of January 2013.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) required the Comptroller to transfer $350.0 million from the Local Income Tax Reserve Account to the Education Trust Fund on or before June 30, 2010. From fiscal 2014 through 2020, Chapter 484 requires the State to repay $50.0 million annually to replenish the transfer.

Location of Provision(s) in the Bill: Section 1 (p. 7)

Analysis prepared by: Robert J. Rehrmann

Deferral of Transfer Tax Repayment

Provision in the Bill: Defers until fiscal 2016 the required repayment of State transfer tax revenue transferred to the general fund.

Agencies: Department of Natural Resources; Maryland Department of Agriculture

Type of Action: Special fund mandate relief

Fiscal Impact:	($ in millions) FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Exp	$0	($50.0)	($40.0)	-	-	$0

State Effect: Currently, $90.0 million in transfer tax revenue, transferred to the general fund in fiscal 2006, is subject to repayment. The Governor's proposed fiscal 2014 budget includes $50.0 million in general funds for repayment. However, the funding is eliminated contingent upon legislation deferring the required repayment of State transfer tax revenue. Thus, this provision reduces general fund expenditures by $50.0 million in fiscal 2014. Absent this provision, repayment could again be required in fiscal 2015; thus, general fund expenditures are reduced by $40.0 million in fiscal 2015.

Chapter 473 of 2005 (SB 306) requires that, beginning in fiscal 2012, State transfer tax revenues transferred to the general fund after fiscal 2005 be repaid. This repayment provision is triggered if the unappropriated general fund surplus as of June 30 of the second preceding year is more than $10.0 million. If this trigger is met, the Governor must include in the budget bill at least the lesser of $50.0 million or the excess surplus over $10.0 million to repay those transfers. Currently, an unappropriated surplus is not forecast for fiscal 2014 and subsequent years; therefore, it is not possible to estimate the expenditures required to repay the $90.0 million in transfer tax revenue beginning in fiscal 2016.

Local Effect: Local governments are impacted to the extent the transfer tax repayment would have been allocated for the local share of Program Open Space (POS) in fiscal 2014 and 2015.

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 the Department of Natural Resources (DNR) and the Maryland Department of Agriculture. First, transfer tax revenues for debt service on POS Acquisition Opportunity Loan of 2009 general obligation 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 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, a local share, and a Maryland Park Service operations share. All other funds are allocated to the Rural Legacy Program, Maryland Agricultural Land Preservation Foundation, and the Heritage Conservation Fund pursuant to statute.

Recent History: Pursuant to general mandate relief authority provided in budget reconciliation legislation, the Governor did not include the $50.0 million repayment expected in the fiscal 2012 budget. In fiscal 2013, the General Assembly struck the contingent reduction language in the operating budget and deleted the $50.0 million general fund appropriation repayment amount.

Location of Provision(s) in the Bill: Section 1 (pp. 7-8)

Analysis prepared by: Andrew D. Gray

Local Income Tax Reserve Account – Maryland Department of Transportation Grants

Provision in the Bill: Requires the Comptroller to transfer $15,379,979 from the Local Income Tax Reserve Account to a special fund established in the Maryland Department of Transportation (MDOT) for the purpose of providing transportation grants to municipalities. The grants must be allocated to eligible municipalities in the same manner as highway user revenues.

Agencies: Comptroller; Maryland Department of Transportation

Type of Action: Fund transfer

Fiscal			*($ in millions)*			
Impact:	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
GF Rev	($15.4)	$0	$0	$0	$0	$0
SF Rev	$15.4	$0	$0	$0	$0	$0
SF Exp	$0	$15.4	$0	$0	$0	$0

State Effect: General fund revenues decrease by $15.4 million in fiscal 2013, with a corresponding increase in special fund revenues. Special fund expenditures increase by $15.4 million in fiscal 2014 to provide grants to municipalities. The Governor's proposed fiscal 2014 budget includes $15.4 million in special fund expenditures contingent on legislation authorizing the use of funds from the Local Income Tax Reserve Account for this purpose.

Local Effect: Municipalities will receive $15.4 million in transportation grants in fiscal 2014.

Program Description: The Local Income Tax Reserve Account is used to manage the cash flow of personal income tax payments and distributions to local governments. It is administered by the Comptroller's Office. The account is also used to meet the State's liability for local income taxes according to generally accepted accounting principles (GAAP). Each month, a portion of personal income tax net receipts is put into the account, representing an estimate of local income tax payments. At the end of each fiscal year, excess funds are transferred to the general fund or general funds are transferred into the account if the balance is deemed insufficient. For fiscal 2013, the Bureau of Revenue Estimates has recognized an excess of $32.9 million in the account and has booked this amount as general fund revenue. This provision transfers $15.4 million of this excess to a special fund in MDOT, thereby reducing the transfer that would otherwise accrue to the general fund.

Highway user revenues consist of the motor fuel tax, registration fees, the corporate income tax, and a portion of the titling and rental car sales tax. These revenues are shared between the State and local jurisdictions. The local distribution for counties and municipalities is based upon a jurisdiction's registrations and road miles. In fiscal 2014, MDOT receives 90.4% of revenues, while local jurisdictions receive 9.6%. The 9.6% local share is divided between Baltimore City (7.7%), the counties (1.5%), and the municipalities (0.4%).

Prior to fiscal 2010, local jurisdictions received 30% of eligible revenues; however, that amount was reduced as a result of the recession. To balance the general fund budget, local transportation aid was significantly reduced beginning in fiscal 2010. Before the reduction, municipalities received $44.7 million in fiscal 2008 and $39.8 million in fiscal 2009. Once the reduction to local aid went into effect in fiscal 2010, funding to municipalities fell to $6.2 million. Absent this provision, funding for municipalities in fiscal 2014 is expected to be approximately $7.0 million.

Recent History: A provision in the Budget Reconciliation and Financing Act of 2009 (Chapter 487) required the Comptroller to transfer $366.8 million from the Local Income Tax Reserve Account to the State's general fund in fiscal 2009. The amount transferred represented estimated tax year 2008 local income tax refunds from revenues collected in fiscal 2008, the reserve required under GAAP.

Location of Provision(s) in the Bill: Section 1 (p. 7)

Analysis prepared by: Steven D. McCulloch

School Board Reimbursement for Students in Juvenile Services Placements

Provision in the Bill: Requires a local board of education to reimburse the Department of Juvenile Services (DJS) for each child from the county that is placed in a detention facility for 15 or more consecutive days. 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; Maryland State Department of Education

Type of Action: Cost shift; fund swap

Fiscal	($ in millions)					
Impact:	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
SF Rev	$0	$1.7	$1.7	$1.7	$1.7	$1.7
GF Exp	$0	($1.5)	($1.7)	($1.7)	($1.7)	($1.7)
SF Exp	$0	$1.5	$1.7	$1.7	$1.7	$1.7

State Effect: General fund expenditures decrease by $1,458,671 in fiscal 2014 due to the use of local school board reimbursements, rather than general funds, to support educational costs for children in State-supervised care. The Governor's proposed fiscal 2014 budget includes contingent general fund reductions totaling $1,458,671 for the Maryland State Department of Education (MSDE).

Special fund revenues increase by as much as $1,653,887 in fiscal 2014 due to reimbursements from school boards for the education of certain children placed in State-supervised care. Special fund expenditures increase by $1,458,671 to replace the contingent general fund reduction. The estimates are based on the information and assumptions shown below:

- in fiscal 2013, the statewide average basic cost is $10,248 (an average daily cost of $39.42);
- there are 6,783 youth in State-supervised detention facilities with educational services funded by a State agency;
- approximately 2,374 (35%) of the 6,783 youth stay for 15 or more consecutive days, with an average length of stay of 17.5 days; and
- it is unknown how many of these youth have been included in the enrollment count for their home counties.

Future years reflect expected 1% annual increases in the statewide average basic cost per child and a stable number of children in detention facilities for 15 or more consecutive days for whom school boards will provide reimbursements. It is assumed that, in future years, general fund savings will match special fund revenues and expenditures.

Local Effect: Cost shift to local boards of education for nonpublic education placement of children in detention facilities for 15 or more consecutive days who are not designated as special education students.

Program Description: In fiscal 2014, MSDE will educate an estimated 4,200 nondisabled youth in detention facilities. It is unclear what proportion of these students were included in local school system enrollment counts in current and prior years.

Recent History: The Budget Reconciliation and Financing Act of 2011 (Chapter 397) requires local boards of education to reimburse DJS and the Department of Human Resources 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 provision excludes children who were not included in the county's annual public school enrollment count, children placed in nonpublic special education placements, and children in detention facilities. As a result, DJS collected $327,532 in fiscal 2012 and $574,883 in fiscal 2013, which was transferred to MSDE to support such children receiving education services at the Victor Cullen and J. DeWeese Carter youth facilities.

Location of Provision(s) in the Bill: Section 1 (p. 6)

Analysis prepared by: Rachel N. Silberman

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 2014 and 2015 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: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
GF Exp	$0	($1.2)	($1.2)	$0	$0	$0

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 2014 and 2015 only. The Governor's proposed fiscal 2014 budget includes a $1.2 million general fund reduction for DNR contingent upon the enactment of legislation allowing POS funds to be used for administrative costs.

Program Description: POS was established in 1969 to expedite the acquisition of outdoor recreation and open space, before property cost and development made it impossible, and to accelerate the development of outdoor recreation facilities. 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. 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 in recent years has resulted in insufficient funding for POS administration. Therefore, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) included a provision authorizing the use of funds for administrative expenses for fiscal 2010 and 2011 only. This provision was extended to fiscal 2012 and 2013 by the Budget Reconciliation and Financing Act of 2011 (Chapter 397).

Location of Provision(s) in the Bill: Section 1 (p. 6)

Analysis prepared by: Andrew D. Gray

Providers of Nonpublic Placements

Provision in the Bill: Limits growth in fiscal 2014 rates paid to providers of nonpublic special education placements to no more than 2.5% over the rates in effect on January 16, 2013.

Agency: Maryland State Department of Education

Type of Action: Cost control

State Effect: None. Provider rate increases for nonpublic special education placements are determined based in part on the prior-year consumer price index, which for fiscal 2013 is estimated to be 1.8%, and the average salary increase for first and fifth year teachers, which for fiscal 2013 is 0.5%. As a result, fiscal 2014 general fund expenditures are not expected to be impacted by the implementation of a 2.5% cap on provider rate increases.

Local Effect: None. As provider rate increases are anticipated to be below the proposed 2.5% cap, no change in local costs for nonpublic placements is anticipated.

Program Description: Most students with disabilities receive special education services in the public schools. However, if an appropriate program is not available in the public schools, 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. The school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this are split 70% State/30% local.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) decreased the State share of funding for nonpublic placements from 80% to 70% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1%. Budget reconciliation legislation enacted in 2010 (Chapter 484) and 2011 (Chapter 397) prohibited any increases in the fiscal 2011 and 2012 rates paid to these providers, while budget reconciliation legislation enacted in 2012 (Chapter 1 of the 2012 first special session) limited the rate increase to 1.0%.

Location of Provision(s) in the Bill: Section 5 (p. 9)

Analysis prepared by: Rachel N. Silberman

Rates for Residential Child Care Group Homes

Provision in the Bill: Limits growth in fiscal 2014 rates paid to residential child care providers that have their rates set by the Interagency Rates Committee (IRC) to no more than 2.5% over the rates in effect on January 16, 2013.

Agencies: Department of Human Resources; Department of Juvenile Services

Type of Action: Cost control

State Effect: Potential minimal general and federal fund savings in fiscal 2014. Rates for residential child care group homes are set through IRC for each individual group home on a cost basis, which generally allows for increases due to inflation. The Governor's proposed fiscal 2014 budget includes funding to provide rate increases of up 2.5%. As a result, fiscal 2014 general and federal fund expenditures will not be constrained by a 2.5% cap. However, individual group home providers that have rates lower than the average rate for group homes providing similar levels of treatment are eligible for a rate increase to bring their rates up to the average rate, which may require rate increases in excess of 2.5%. To the extent that the bill prevents such increases, minimal general and federal fund savings may be achieved. The exact amount of such savings will depend on the rates for each individual facility and the level of utilization of residential child care group home placements.

Program Description: IRC establishes rates for certain out-of-home residential services for children. The committee includes representatives from the Department of Budget and Management, the Department of Health and Mental Hygiene, the Department of Human Resources, the Department of Juvenile Services, the Maryland State Department of Education, and the Governor's Office for Children.

Recent History: In fiscal 2009, cost-containment actions taken by the Board of Public Works reduced rates for residential child care placements by 1%. Budget reconciliation language (Chapter 487 of 2009, Chapter 484 of 2010, and Chapter 397 of 2011) froze the rates for three consecutive years. The Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the 2012 first special session) allowed rate increases of up to 1%.

Location of Provision(s) in the Bill: Section 6 (p. 9)

Analysis prepared by: Steven D. McCulloch

Ensuring Fiscal 2014 Medicaid Savings

Provisions in the Bill: Require the Department of Health and Mental Hygiene (DHMH) to achieve $30,000,000 in general fund savings in fiscal 2014 from a combination of tiered rates for hospital outpatient and emergency department services and hospital update factors that are lower than those assumed in the fiscal 2014 Medicaid budget. The Health Services Cost Review Commission (HSCRC) must engage an independent consultant to project the savings from tiered rates. By December 15, 2013, HSCRC must submit a report to the Governor and the General Assembly that identifies projected savings from tiered rates. If projected savings from tiered rates and the fiscal 2014 hospital update factor are less than those assumed in the fiscal 2014 Medicaid budget, HSCRC is authorized to take actions, including adjusting the Medicaid hospital assessment or reducing the Maryland Health Insurance Plan assessment, to ensure that $30,000,000 in general fund savings occur.

Agency: Department of Health and Mental Hygiene

Type of Action: Cost control

Fiscal			*(in dollars)*			
Impact:	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
SF Exp	$0	$50,000	$0	$0	$0	$0

State Effect: Special fund expenditures for HSCRC increase by $50,000 in fiscal 2014 to hire an independent consultant as required by the bill. The bill's reporting requirement can be handled with existing budgeted resources.

The fiscal 2013 and the Governor's proposed fiscal 2014 budgets assume $30 million in general fund savings from hospital outpatient and emergency department tiered rates. This provision is intended to provide an alternative mechanism to generate that level of savings if savings assumed from tiered rates and the fiscal 2014 hospital update factor cannot be achieved.

Program Description: Medicaid is a joint federal and state program that provides assistance to indigent and medically indigent individuals. The federal government generally covers 50% of Medicaid costs. Medicaid eligibility is limited to children, pregnant women, elderly or disabled individuals, and low-income parents. To qualify for benefits, applicants must pass certain income and asset tests.

HSCRC provides hospitals with an annual hospital update factor (or inflationary adjustment). For fiscal 2013, the combined inpatient/outpatient hospital update factor provides for a net increase in hospital revenues of 0.3%. This is also the assumed rate in the Governor's proposed fiscal 2014 budget for the Medical Care Programs Administration.

Recent History: From 1994 until 2008, HSCRC permitted tiered outpatient rates. While the rates were supposed to be cost-based and applied uniformly across payers, the commission did not formally approve the rates. Based on concerns about the cost-based nature of the rates, tiered rates were discontinued in 2008, and all outpatient services were assigned the same charge in any one facility.

The fiscal 2013 budget included a proposal to return to tiered rates for hospital outpatient and emergency department services. Under this proposal, low-cost outpatient services, such as primary care and mental health counseling services would have a lower rate than a specialty surgical visit. However, the rates would be set so that each facility would, on average across all outpatient and emergency department services, have a rate equal to that currently in effect. Savings would accrue to Medicaid because, on average, Medicaid recipients have greater utilization of less expensive types of hospital outpatient services. Additional costs would be borne by commercial payers and Medicare, whose recipients tend to use more expensive types of hospital outpatient services. HSCRC has authorized tiered rates, but on a voluntary basis. To date, the level of savings generated from tiered rates has not reached anticipated levels due to a delayed start in implementation and the fact that not all hospitals have implemented tiered rates (although most of the high Medicaid volume hospitals submitted proposals, which have been approved by HSCRC). If anticipated savings are not achieved, DHMH will need to consider alternative proposals to reduce hospital expenditures.

Location of Provision(s) in the Bill: Section 7 (pp. 9-10)

Analysis prepared by: Simon G. Powell

Horse Racing – Local Impact Aid

Provisions in the Bill: Require the Comptroller, in any fiscal year that revenues to the horse racing special fund are not sufficient to fully fund local impact aid, to proportionately reduce the amount of grants required to be paid. The Comptroller must pay the local impact aid as an annual grant rather than in half-yearly installments. The bill also specifies that the Comptroller is only required to pay grants to the Maryland-Bred Race Fund, Maryland Standardbred Race Fund, and Maryland Agricultural Education and Rural Development Assistance Fund in years in which revenues to the horse racing special fund are sufficient to fund all local impact aid grants.

Agencies: Comptroller; State Racing Commission

Type of Action: Administrative

State Effect: If special fund revenues are not sufficient to cover mandated local impact grants, the bill specifies that special fund expenditures for local impact grants are proportionally reduced.

Local Effect: The bill neither increases nor decreases the amount of local impact aid, but rather authorizes the proportionate reduction of such aid when revenues are not sufficient. Current law does not specify how grants are to be adjusted if revenues do not cover the mandated allocations. This provision prioritizes the allocation – agriculture and the fairs receive their full allocations and, if the remaining expected revenues are not sufficient to fully fund the local impact grants, there is a proportional reduction to the impact grants.

Exhibit 1 shows the mandated uses of the horse racing special fund. With mandates totaling more than $3.56 million and expected revenues of only $2.87 million, a shortfall of $689,150 is anticipated in fiscal 2014. After making the required distributions to agriculture and fairs, $562,650 will be available for local impact aid grants, compared with the $1.25 million required. Exhibit 1 compares the mandated appropriation for local impact aid with the anticipated proportional distribution under the bill for fiscal 2014.

Program Description: Horse racing impact aid consists of grants to counties and municipalities that contain or are located close to thoroughbred tracks. The aid has been in place since 1975 and is derived in part from the collection of the tax on horse race wagering. The amounts granted to each jurisdiction are mandated by statute and are largely based on the number of racing days held each year. In the past few years, and in the current year, despite cost-containment reductions, revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses. This is due, mainly, to the reduction in racing days in recent years.

Exhibit 1
Horse Racing Special Fund – Mandated Uses
Fiscal 2014

	Mandated Appropriation	Proportional Distribution
Agriculture and Fairs		
Great Pocomoke Fair	$20,000	
Great Frederick Fair	40,000	
Agricultural Education Foundation	75,000	
Agricultural Fair Board	825,000	
Maryland State Fair and Agricultural Society	500,000	
Maryland Million	500,000	
Standardbred Race Fund Sire Stakes	350,000	
Subtotal	***$2,310,000***	
Impact Aid		
Anne Arundel	$339,000	$152,371
Baltimore	50,000	22,474
Howard	84,750	38,093
Prince George's	100,000	44,947
Baltimore City	609,000	273,729
Bowie	18,200	8,180
Laurel	50,850	22,856
Subtotal	***$1,251,800***	***$562,650***
Total	**$3,561,800**	
Estimated Revenues Fiscal 2014	**$2,872,650**	
Shortfall	**($689,150)**	

Source: Governor's Budget Books, Fiscal 2014; Racing Commission

Recent History: In the past four fiscal years, revenues have been insufficient to fully fund local impact grants. In fiscal 2010 and 2011, the grants were proportionately allocated through the budget. In fiscal 2012 and 2013, the grants were eliminated due to continued concerns about lagging revenues. The fiscal 2013 budget included a contingent reduction to the Department of Labor, Licensing, and Regulation's allowance that reduced horse racing impact aid by $720,800. The reduction was contingent upon the enactment of a provision in the Budget Reconciliation and Financing Act of 2012

(Chapter 1 of the 2012 first special session), which specified that in fiscal 2013 the Governor was not required to fund any mandates above the amount that was budgeted in fiscal 2012.

Location of Provision(s) in the Bill: Section 1 (pp. 3-4)

Analysis prepared by: Michael Sanelli

Small, Minority, and Women-Owned Business Account

Provision in the Bill: Authorizes the transfer of $2,000,000 from the Small, Minority, and Women-Owned Business Account (SMWOBA) to the Maryland Small Business Development Financing Authority's (MSBDFA) Contract Financing Fund in fiscal 2014.

Agency: Department of Business and Economic Development

Type of Action: Fund balance transfer; fund swap

Fiscal Impact:	*($ in millions)* **FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
SF Exp	$0	$2.0	$0	$0	$0	$0

State Effect: Special fund expenditures for the Department of Business and Economic Development (DBED) increase by $2.0 million in fiscal 2014 only. The Governor's proposed fiscal 2014 budget includes a $2.0 million special fund appropriation to MSBDFA contingent upon the enactment of this bill. After the transfer, SMWOBA will have an estimated $17.6 million available for awards. The fiscal 2013 working appropriation reflects $7.9 million from the fund, while the Governor's proposed fiscal 2014 budget expends $9.1 million from the fund. However, to date, no funds have been distributed from SMWOBA.

Local Effect: Local revolving loan funds may bid to become fund managers for SMWOBA. This transfer will result in reduced funds to be awarded to potential bidders. Additionally, the provisions of the SMWOBA program require that 50% of the funds be dedicated to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities. MSBDFA program has no such requirement. Thus, this transfer will likely result in the loss of business assistance in those communities.

Program Description: SMWOBA is designed to provide investment capital and loans to small, minority, and women-owned businesses in the State. At least 50% of available funds must be dedicated to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities.

MSBDFA provides financing assistance to all businesses unable to obtain adequate, reasonable financing through private lending institutions due to credit criteria. MSBDFA has four programs: Contract Financing, Long-term Guaranty, Surety Bond, and Equity Participation Investment. The allowance for the program is $8.3 million in general and special funds, plus $1.8 million in special funds for the program's management contract.

Recent History: SMWOBA was created by Chapter 4 of the 2007 special session. The legislation dedicated a portion (1.5%) of gross video lottery terminal (VLT) revenues to the account and tasked the Board of Public Works (BPW) with the administration of the program. The fiscal 2011 appropriation to the account was $1.9 million; however, due to lower-than-expected VLT revenues, only $1.6 million accrued to the fund. Similarly, approximately $5.9 million was appropriated to the account in fiscal 2012, but only about $2.9 million accrued. In fiscal 2012, BPW partnered with DBED to assist with the design and management of the program. A request for proposal (RFP) for eligible fund managers for the program was approved in December 2012. DBED expects the contracts to be awarded in April 2013.

In an effort to address the fiscal deficit, the Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the 2012 first special session) authorized the transfer of $1.9 million from SMWOBA to the Education Trust Fund, which allowed a general fund reduction to education funding.

Location of Provision(s) in the Bill: Section 4 (p. 8)

Analysis prepared by: Jody J. Sprinkle

Appendix B

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
General Fund Revenues						
Revenue Enhancements and Transfers						
Transfer Tax Special Fund		89,198,555	75,062,000	77,654,000	82,771,000	86,028,000
Local Income Tax Reserve Account to MDOT	(15,379,979)					
State Insurance Trust Fund	1,000,000					
Abandoned Property Notification Procedures		500,000	500,000	500,000	500,000	500,000
Repeal Maryland-mined Coal Tax Credit		6,000,000	6,000,000	3,000,000	3,000,000	3,000,000
Subtotal – Revenue Enhancements and Transfers	***(14,379,979)***	***95,698,555***	***81,562,000***	***81,154,000***	***86,271,000***	***89,528,000***
Dedicated Revenue Relief						
Redirect Revenues from Special Fund for Preservation of Cultural Arts		1,957,500	2,016,225	2,076,712	2,139,013	2,203,183
Total General Fund Revenues	**(14,379,979)**	**97,656,055**	**83,578,225**	**83,230,712**	**88,410,013**	**91,731,183**
Special Fund Revenues						
Local Income Tax Reserve Account to MDOT	15,379,979					
Special Fund for Preservation of Cultural Arts in Maryland		(1,957,500)	(2,016,225)	(2,076,712)	(2,139,013)	(2,203,183)
School Board Reimbursement for Students in DJS Detention		1,653,887	1,670,426	1,687,130	1,704,002	1,721,042
Total Special Fund Revenues	**15,379,979**	**(303,613)**	**(345,799)**	**(389,581)**	**(435,011)**	**(482,142)**

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
General Fund Expenditures						
Fund Swaps and Cost Shifts						
School Board Reimbursement for Students in DJS Detention		(1,458,671)	(1,670,426)	(1,687,130)	(1,704,002)	(1,721,042)
Program Open Space Administration		(1,217,000)	(1,217,000)			
Subtotal – Fund Swaps and Cost Shifts		***(2,675,671)***	***(2,887,426)***	***(1,687,130)***	***(1,704,002)***	***(1,721,042)***
Mandate Relief						
Repeal Required Repayment of Local Income Tax Reserve Account		(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
Deferral of Transfer Tax Repayment		(50,000,000)	(40,000,000)	-	-	
Subtotal – Mandate Relief		***(100,000,000)***	***(90,000,000)***	***(50,000,000)***	***(50,000,000)***	***(50,000,000)***
Total General Fund Expenditures		**(102,675,671)**	**(92,887,426)**	**(51,687,130)**	**(51,704,002)**	**(51,721,042)**
Special Fund Expenditures						
Transfer Tax - DNR		(71,091,555)	(59,234,000)	(61,296,000)	(65,376,000)	(67,969,000)
Transfer Tax - MDA		(18,107,000)	(15,828,000)	(16,358,000)	(17,395,000)	(18,059,000)
Transportation Grants to Municipalities		15,379,979				
Maryland Small Business Development Financing Authority		2,000,000				
School Board Reimbursement for Students in DJS Detention		1,458,671	1,670,426	1,687,130	1,704,002	1,721,042
Savings in Abandoned Property Administrative Costs		(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
HSCRC Study to Ensure Fiscal 2014 Medicaid Savings		50,000				
Total Special Fund Expenditures		**(70,809,905)**	**(73,891,574)**	**(76,466,870)**	**(81,566,998)**	**(84,806,958)**

Appendix C – Municipal Transportation Grant Allocation

County	Municipality	Sum of Amount
Allegany	Barton	$13,420
	Cumberland	527,466
	Frostburg	145,484
	Lonaconing	24,808
	Luke	4,120
	Midland	11,795
	Westernport	51,802
Allegany Total		**$778,893**
Anne Arundel	Annapolis	663,077
	Highland Beach	5,581
Anne Arundel Total		**$668,658**
Calvert	Chesapeake Beach	139,181
	North Beach	51,735
Calvert Total		**$190,916**
Caroline	Denton	96,086
	Federalsburg	63,300
	Goldsboro	3,336
	Greensboro	34,947
	Henderson	1,750
	Hillsboro	3,156
	Preston	18,182
	Ridgely	54,510
	Templeville	404
Caroline Total		**$275,672**
Carroll	Hampstead	99,571
	Manchester	94,617
	Mount Airy	115,543
	New Windsor	31,387
	Sykesville	80,059
	Taneytown	120,778
	Union Bridge	29,235
	Westminster	322,558
Carroll Total		**$893,747**

County	Municipality	Sum of Amount
Cecil	Cecilton	9,372
	Charlestown	31,559
	Chesapeake City	15,640
	Elkton	208,745
	Northeast	45,125
	Perryville	74,846
	Port Deposit	7,020
	Rising Sun	38,716
Cecil Total		**$431,024**
Charles	Indian Head	74,583
	La Plata	180,901
Charles Total		**$255,484**
Dorchester	Cambridge	231,634
	East New Market	8,001
	Hurlock	48,921
	Secretary	12,019
	Vienna	11,411
Dorchester Total		**$311,986**
Frederick	Frederick	1,016,760
	Brunswick	116,055
	Burkittsville	8,697
	Emmitsburg	55,896
	Middletown	91,821
	Mount Airy	84,538
	Myersville	30,835
	New Market	22,342
	Thurmont	128,471
	Walkersville	113,438
	Woodsboro	29,906
Frederick Total		**$1,698,759**
Garrett	Accident	13,225
	Deer Park	12,248
	Friendsville	16,815
	Grantsville	20,118
	Kitzmiller	22,030
	Loch Lynn Heights	21,475
	Mountain Lake Park	69,520
	Oakland	81,761
Garrett Total		**$257,194**

County	Municipality	Sum of Amount
Harford	Aberdeen	284,244
	Bel Air	221,868
	Havre De Grace	229,215
Harford Total		**$735,327**
Kent	Betterton	12,394
	Chestertown	89,976
	Galena	11,221
	Millington	7,459
	Rock Hall	39,565
Kent Total		**$160,616**
Montgomery	Somerset	20,566
	Brookeville	3,828
	Chevy Chase Section	51,251
	Chevy Chase Section III	12,057
	Chevy Chase Section V	9,723
	Chevy Chase Section View	16,773
	Chevy Chase Village	39,420
	Drummond	1,907
	Friendship Heights	28,581
	Gaithersburg	740,675
	Garrett Park	18,825
	Glen Echo	6,721
	Kensington	42,628
	Laytonsville	7,203
	Martins Addition	12,992
	North Chevy Chase	9,615
	Oakmont	2,093
	Poolesville	97,544
	Rockville	1,117,350
	Takoma Park	200,314
	Washington Grove	17,057
Montgomery Total		**$2,457,125**
Prince George’s	Berwyn Heights	59,689
	Bladensburg	78,754
	Bowie	1,007,708
	Brentwood	43,069
	Capitol Heights	64,146
	Cheverly	90,015
	College Park	252,774

County	Municipality	Sum of Amount
	Colmar Manor	21,283
	Cottage City	20,962
	District Heights	90,725
	Eagle Harbor	7,298
	Edmonston	26,827
	Fairmount Heights	25,453
	Forest Heights	42,826
	Glenarden	72,777
	Greenbelt	214,062
	Hyattsville	216,395
	Landover Hills	25,160
	Laurel	336,868
	Morningside	24,250
	Mount Rainier	87,702
	New Carrollton	134,576
	North Brentwood	9,901
	Riverdale	85,388
	Seat Pleasant	52,841
	University Park	48,199
	Upper Marlboro	13,192
Prince George’s Total		**$3,152,843**
Queen Anne’s	Barclay	2,837
	Centreville	72,137
	Church Hill	10,248
	Millington	269
	Queenstown	14,132
	Sudlersville	6,666
	Templeville	603
Queen Anne’s Total		**$106,891**
St. Mary’s	Leonardtown	53,081
St. Mary’s Total		**$53,081**
Somerset	Crisfield	68,529
	Princess Anne	50,528
Somerset Total		**$119,057**
Talbot	Easton	345,234
	Oxford	24,356
	St. Michaels	32,099
	Trappe	22,949
Talbot Total		**$424,637**

County	Municipality	Sum of Amount
Washington	Boonsboro	68,902
	Clear Spring	9,945
	Funkstown	18,859
	Hagerstown	722,882
	Hancock	43,804
	Keedysville	25,894
	Sharpsburg	22,680
	Smithsburg	55,167
	Williamsport	47,561
Washington Total		**$1,015,695**
Wicomico	Commonwealth of Delmar	63,387
	Fruitland	111,837
	Hebron	25,260
	Mardela Springs	13,300
	Pittsville	41,948
	Salisbury	556,945
	Sharptown	27,052
	Willards	26,084
Wicomico Total		**$865,812**
Worcester	Berlin	83,082
	Ocean City	298,068
	Pocomoke City	88,246
	Snow Hill	57,165
Worcester Total		**$526,562**
Grand Total		**$15,379,979**

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2013

BILL NUMBER: SB 127 / HB 102

PREPARED BY: Budget and Management

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

__X__WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

DBM estimates that the following provisions of the proposed legislation will have minimal or no economic impact on Maryland small business:

Racing Grants **-** $689,150 special contingent reduction to localities if revenues are not sufficient to cover mandated expenditures.

Juvenile Services Education Program – Requires LEAs to pay a portion of the cost of educating youth in State run detention facilities.

Program Open Space Administrative Funding – Allows $1.2 million in POS funding to be used for operating costs instead of general funds.

Redirect Revenue from Preservation of Cultural Arts Fund to General Fund – Proposes to eliminate 5% distribution of State admissions and amusement tax on electronic bingo and electronic tip jars to fund, and increases general fund revenue by the same amount.

Local Income Tax Refund Reserve Account – Repeals required repayment.

Transfer Tax Repayment – Defers required repayment of funds transferred from Program Open Space to the General Fund.

Transfer Tax Revenue – Proposes the transfer of a portion of the capital eligible transfer tax allocations for land preservation to the General Fund.

MD Mined Coal Tax Credit – Proposes the repeal of the tax credit. Beneficiaries of the tax credit are large multi-jurisdictional public service companies.

Fund Balance Transfer – Transfers $1.0 million from State Insurance Trust Fund to the General Fund in FY 2014.

DBM estimates that the following provisions of the proposed legislation will have meaningful economic impact on Maryland Small Business:

Unclaimed Property Advertising – Requires Comptroller to place quarterly ads in newspapers directing readers to the Comptroller's website rather than publishing the name of every individual with unclaimed property in an insert.
Economic Impact Analysis – Reduced funding will have an indeterminate, but negative impact on the newspaper industry.

Local Income Tax Reserve Account Revenue to MDOT – Transfers $15.4 million to MDOT for grants to municipalities.
Economic Impact Analysis – Indeterminate, but could have a positive economic impact on contractors to the extent that municipalities use additional funding for highway maintenance.

Transfer VLT Proceeds to MSBDFA – Proposes to authorize the transfer of $2.0 million from the Small, Minority, and Women-owned Business Account (Supported with VLT proceeds) to the MD Small Business Development Financing Authority. Should the legislation be enacted, MSBDFA would realize a $1.0 million increase in overall funding in FY 2014.
Economic Impact Analysis – Indeterminate, but will have a positive economic impact on small businesses.

Group Home and Non-Public Placement Rate Increases – Allows for up to a 2.5% rate increase.
Economic Impact Analysis – Indeterminate, but will have a positive economic impact on group home and Non-Public placement providers.