SB 172

Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 172 (The President)(By Request - Administration)
Budget and Taxation

Budget Reconciliation and Financing Act of 2017

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

The bill generally takes effect June 1, 2017.

Fiscal Summary

State Effect: General fund revenues increase by $183.0 million in FY 2017, primarily due to transfers. In FY 2018, general fund revenues increase by $3.5 million due to a transfer and mandate relief, while special fund revenues decline by $19.9 million, mainly due to repeal of mandated supplemental pension contributions. General fund expenditures decline by $249.0 million in FY 2018, due to mandate relief, fund swaps, cost control, and other actions. Special fund expenditures decrease by $0.4 million in FY 2017, and increase by $36.0 million in FY 2018, primarily from deferral of a reduction in the Medicaid deficit assessment to FY 2019. Federal and general obligation (GO) bond funds are also affected. Future year estimates reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	$183.0	$3.5	$1.0	$0	$0
SF Revenue	$0	($19.9)	$20.8	$25.4	$26.1
FF Revenue	$0	($7.0)	($7.2)	($7.4)	($7.5)
GF Expenditure	$0	($249.0)	($133.8)	($178.1)	($307.3)
SF Expenditure	($0.4)	$36.0	($13.9)	($17.8)	($29.8)
FF Expenditure	$0	($9.1)	($16.0)	($17.8)	($22.1)
Bond Exp.	($0.1)	$31.6	$6.0	$6.0	$6.0
Net Effect	$183.5	$167.1	$172.3	$225.7	$371.7

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

Local Effect: Direct State aid is reduced by a total of $33.4 million in FY 2018, including $20.8 million for public schools, $8.4 million in local income tax disparity grants, $3.0 million in library aid to Baltimore City, $0.7 million in core public health funding, and $0.5 million in grants for police aid. State retirement aid to local jurisdictions is reduced by a total of $37.7 million in FY 2018. Local expenditures increase by $10.9 million in FY 2018 due to increased cost sharing of expenses related to property tax assessment.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached as page 56). The Department of Legislative Services generally concurs with this assessment. However, at least three provisions have a meaningful impact on small businesses in the State, including a reduction in funding for the Baltimore Regional Neighborhood Initiative (BRNI) Program, a reduction in the mandated rate increase for community service providers, and the Limiting Mandate Growth provision (Section 9).

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, require fund swaps and cost shifts, and implement cost control and other administrative measures.

Revenue Enhancements and Transfers to the General Fund

- Authorizes transfer of up to $170.0 million from the Revenue Stabilization Account (Rainy Day Fund) to the general fund in fiscal 2017.
- Authorizes the Comptroller to transfer up to $12.0 million from the Consumer Protection Recoveries from the Volkswagen Clean Diesel Settlement to the general fund in fiscal 2017 under specified conditions.
- Authorizes the transfer of $2.5 million from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2018.
- Repeals mandated grants in fiscal 2018 and 2019 of $350,000 to the Maryland Office of Sports Marketing and $150,000 to the Maryland Humanities Council.
- Repeals the requirement that $1.0 million of lottery revenues be transferred to the Horse Racing Special Fund for these grants, as well as $500,000 to a purse for the Maryland International thoroughbred race in fiscal 2018 and 2019 and $500,000 in fiscal 2017 for a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes; the Maryland International purse and the fiscal 2017 bonus award program are instead funded through the Purse Dedication Account.

Mandate Relief

- Repeals the requirement, for fiscal 2018, that the Governor include an appropriation of up to $50.0 million to the State Retirement and Pension System trust fund.
- Reduces the fiscal 2018 appropriation for the Rainy Day Fund by $40.0 million.
- Delays to fiscal 2019 the requirement that the Governor reduce the Medicaid Deficit Assessment by $25.0 million and specifies that the budgeted Medicaid Deficit Assessment must be $364.8 million for fiscal 2018.
- Restructures mandated operating grants to the University of Maryland Medical System for the Prince George's County Regional Medical System.
- Repeals the requirement that the Governor provide $12.0 million for the BRNI Program in fiscal 2018 through 2022.
- Reduces the mandated rate increase for community service providers under the Developmental Disabilities Administration in fiscal 2018 from 3.5% to 2.0%.
- For fiscal 2018 only, limits the amount that a county or Baltimore City may receive through the disparity grant program to the amount of the fiscal 2017 distribution.
- Repeals the minimum grant amount of 67.5% of the disparity grant calculation provided in fiscal 2018 and 2019 only for counties with a tax rate of at least 3.2%.
- Repeals the mandate that the Public School Opportunities Enhancement Program be funded at $7.5 million annually in fiscal 2018 through 2021.
- Reduces the fiscal 2018 appropriation for the Joseph A. Sellinger formula for qualifying independent colleges and universities to the fiscal 2017 amount.
- Repeals the mandate that the Teacher Induction, Retention, and Advancement Pilot Program be funded at $5.0 million annually.
- Repeals the mandate that the Next Generation Scholars of Maryland Program be funded at $5.0 million annually through fiscal 2023.
- Repeals the requirement that the Seed Community Development Anchor Institution Fund receive $5.0 million annually in fiscal 2018 through 2022 and authorizes funding to be provided through the operating or capital budget.
- Repeals the requirement that at least an additional $4.0 million annually, from fiscal 2018 through 2021, be provided to the University System of Maryland Office to increase the estimated funding guideline attainment levels of the primarily residential institutions with the lowest estimated fiscal 2016 funding guideline attainment levels.
- Repeals the mandate that the State match county teacher stipends for teachers who hold National Board Certification (NBC).
- Reduces the maximum State match for stipends for teachers who hold NBC and work in a comprehensive needs school from $4,000 to $2,000.
- Repeals the mandate, in fiscal 2018 and 2019, that the State match stipends for specified Anne Arundel County Public Schools classroom teachers.

- Repeals the mandate, for fiscal 2018 through 2022, that the Governor provide a $3.0 million grant to the Enoch Pratt Free Library for expanded operating hours.
- Repeals the mandate that the Shelter and Transitional Housing Facilities Grant Program receive at least $3.0 million and authorizes funding to be provided through the operating or capital budget.
- Reduces the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program from $5.0 million to $2.5 million and defers funding of the remaining $2.5 million to fiscal 2019.
- Reduces the Core Public Health Services funding formula to the fiscal 2017 level for fiscal 2018 and rebases the formula beginning in fiscal 2019.
- Reduces the total amount of grants provided under the State Aid for Police Protection formula to $73.7 million (the fiscal 2017 funding level) for fiscal 2018.
- Repeals the mandate that the Robotics Grant Program be funded at $250,000 annually.
- Repeals the mandate that the Maryland Center for Construction Education and Innovation be funded at $250,000 annually.
- Limits the increase over the previous fiscal year of certain mandated appropriations to the lesser of (1) the amount of the existing formula calculation or (2) an amount equal to 1.0% less than the reported amount of general fund revenue growth in the December report of the Board of Revenue Estimates (BRE).

Fund Swaps and Cost Shifts

- Authorizes, for fiscal 2017 and 2018 combined, the Maryland Department of the Environment to use up to $60.0 million of revenue bond proceeds and the funds in the Bay Restoration Fund for biological nutrient removal upgrades of wastewater treatment plants.
- Increases the amount that each county and Baltimore City must reimburse the State Department of Assessments and Taxation (SDAT) for the costs of real property valuation, business personal property valuation, and information technology and requires reimbursement for a portion of the costs of the Office of the Director.
- Authorizes the Maryland Community Health Resources Commission Fund, beginning in fiscal 2018, to be used for mental health services for the uninsured under specified circumstances.
- Requires that the salaries and administrative expenses of the Division of Racing be funded by the Purse Dedication Account beginning in fiscal 2018.
- Removes the requirement that the use of excess funds from the Senior Prescription Drug Assistance Program Fund for the Kidney Disease Program or community mental health services to the uninsured be authorized by budget amendment.

- Requires the Governor to include $3.0 million in GO bonds for BRNI in fiscal 2018, rather than $12.0 million in general funds through the operating budget.
- Authorizes the Governor to use general funds or GO bonds to provide existing mandated appropriations to the Strategic Demolition and Smart Growth Impact Fund in fiscal 2018 and 2019.

Cost Control and Other Administrative Measures

- Authorizes the Department of Housing and Community Development to use up to $1.0 million from the Housing Counseling and Foreclosure Mediation Fund for administrative expenses in fiscal 2018.
- Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee to no more than 2.0% over the rates in effect on June 30, 2017.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. The General Assembly cannot add 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: In December 2016, BRE lowered its general fund estimate for fiscal 2017 by $13.8 million in light of revised economic assumptions and year-to-date performance. BRE also lowered the fiscal 2018 general fund revenue estimate by $24.5 million. Taking into consideration BRE revenue projections and November 2016 Board of Public Works reductions, the Spending Affordability Committee (SAC) projected a general fund deficit of $209.4 million at the end of fiscal 2017.

The baseline projection for fiscal 2018 reflects general fund growth of 2.9% when capital and reserve fund appropriations are included, resulting in an ending general fund deficit of $544.1 million. In recognition of this outlook, SAC recommended that the fiscal 2018 budget should reduce the gap between the estimated ongoing general fund revenues and ongoing spending by at least 50.0%, leaving a structural deficit of no more than $189.0 million. SAC recommended that the Rainy Day Fund balance be maintained at 5.0% of estimated revenue and authorized the use of any funds above that balance to address imminent cash shortfalls in fiscal 2017 and 2018. SAC further recommended a minimum ending balance of at least $100.0 million in the general fund for fiscal 2018.

State Fiscal Effect: Estimates of the fiscal 2017 and 2018 impact of the bill on the State's general fund are shown in **Exhibit 1**.

In fiscal 2017, general fund revenues increase by $183.0 million. General fund expenditures are not affected in fiscal 2017.

In fiscal 2018, the State's general fund position improves by $252.5 million, through a combination of transfers, mandate relief, fund swaps, and costs shifts. The two-year impact on the general fund sums to $435.5 million.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2017
Fiscal 2017 and 2018
($ in Millions)

	FY 2017	FY 2018
Revenues		
Transfers	$183.0	$3.5
Expenditures		
Mandate Relief	$0.0	($230.8)
Fund Swaps and Cost Shifts	0	(18.2)
Expenditure Subtotal	*0*	*(249.0)*
General Fund Improvement	**$183.0**	**$252.5**

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

Source: Department of Legislative Services

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 9). The fiscal 2017 through 2022 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 2018 budget are included with the discussions. **Appendix B** (beginning on page 50) identifies the fiscal impact of separate provisions by fund type.

Local Fiscal Effect: Multiple provisions in the bill reduce local revenues and State aid to counties or increase local expenditures as discussed below. The fiscal 2018 impact by county for most provisions is shown in **Appendix C** on page 54.

Education and Library Aid: Direct State aid for public schools is reduced by a total of $20.8 million in fiscal 2018, as a result of repealing mandated funding for the Public School Opportunities Enhancement Program; the Next Generation Scholars of Maryland Program; the Teacher Induction, Retention, and Advance Pilot Program; and the Robotics

Grant Program, as well as repealing or altering several mandates relating to teacher stipends. Direct State aid to Baltimore City declines by $3.0 million in fiscal 2018 due to repeal of a mandated grant to support extended operating hours for certain branches of the Enoch Pratt Free Library.

Other Local Aid: State aid under the local income tax disparity grant declines by $8.4 million in fiscal 2018. Local aid under the core public health formula is reduced by $747,276 in fiscal 2018. Local government grants for police aid are reduced by $465,142 in fiscal 2018.

Retirement Aid: State retirement aid to local jurisdictions is reduced by a total of $37.7 million in fiscal 2016: $35.6 million for public schools; $1.5 million for community colleges; and $568,065 for libraries.

Property Tax Assessment Cost Share: Local expenditures increase by $10.9 million in fiscal 2018 due to an increase in the amount that each county and Baltimore City must reimburse SDAT for the costs of real property valuation, business personal property valuation, and information technology. In fiscal 2018, local jurisdictions must pay 70.0% of these costs. Beginning in fiscal 2019, local jurisdictions must pay 90.0% of these costs. Local expenditures increase by $20.8 million in fiscal 2019.

Limiting Mandate Growth: Under Section 9 of the bill, which limits growth in mandated appropriations, State aid to local governments declines by $15.0 million in fiscal 2019, $48.3 million in fiscal 2020, $121.0 in fiscal 2021, and $180.9 million in fiscal 2022.

Additional Information

Prior Introductions: None.

Cross File: HB 152 (The Speaker)(By Request - Administration) - Appropriations.

Information Source(s): *Spending Affordability Committee Report and Recommendations to the Governor and the Legislative Policy Committee*, December 2016; Baltimore City; Montgomery, Washington, and Worcester counties; Maryland Association of Counties; Governor's Office of Crime Control and Prevention; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; Maryland Department of Agriculture; Maryland Department of the Environment; Department of Public Safety and Correctional Services; Board of Public Works; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2017
md/ljm Revised - Correction - February 27, 2017

Analysis by: Jennifer B. Chasse

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

Appendix A – Contents

Revenue Enhancements and Transfers to the General Fund

Mandate Relief

Fund Swaps and Cost Shifts

Cost Control and Other Administrative Measures

Revenue Stabilization Account (Rainy Day Fund)

Provisions in the Bill: Authorize the transfer of up to $170,000,000 from the Revenue Stabilization Account (Rainy Day Fund) to the general fund in fiscal 2017 and reduce the fiscal 2018 appropriation for the Rainy Day Fund by $40,000,000.

Agency: None

Type of Action: Fund balance transfer; mandate relief

Fiscal Impact:	*($ in millions)* FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Rev	$170.0	$0	$0	$0	$0	$0
GF Exp	$0	($40.0)	$0	$0	$0	$0

State Effect: General fund revenues increase by up to $170.0 million in fiscal 2017. General fund expenditures decrease by $40.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $40.0 million general fund reduction contingent on legislation reducing the mandate. The fiscal 2017 ending balance in the Rainy Day Fund is projected to be $832.6 million after the transfer. The fiscal 2018 fund balance is projected to be $860.3 million, reflecting the reduced appropriation. In both fiscal years, the ending fund balances reflect 5.0% of projected general fund revenues. The Rainy Day Fund has ended each year since fiscal 2008 with a fund balance of about 5.0% of revenues.

Local Effect: None.

Program Description: The Rainy Day Fund was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Section 7-311 of the State Finance and Procurement Article requires that, if the fund balance is between 3.0% and 7.5% of projected general fund revenues, annual appropriations of at least $50.0 million must be made until the account balance reaches 7.5% of estimated general fund revenues. Starting in fiscal 2021, a sweeper provision requires that an amount equal to unappropriated revenues be appropriated into the fund two years after the close of each fiscal year.

Recent History: Prior to fiscal 2017, the threshold to withdraw funds from the Rainy Day Fund without separate legislation was 5.0% of general fund revenues. The Budget Reconciliation and Financing Act of 2015 specified that the use of any balance below 7.5% requires separate legislation for fiscal 2017 and 2018 only.

Location of Provisions in the Bill: Sections 4 and 5 (p. 22)

Analysis prepared by: Patrick S. Frank

Volkswagen Clean Diesel Settlement

Provision in the Bill: Authorizes the Comptroller to transfer up to $12.0 million from the Consumer Protection Recoveries to the general fund, if the Office of the Attorney General (OAG) does not transfer $12.0 million of the recovery from the Volkswagen Clean Diesel Settlement to the general fund by May 1, 2017.

Agency: Comptroller; Office of the Attorney General

Type of Action: Miscellaneous

Fiscal Impact:	($ in millions) **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Rev	$12.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by up to $12.0 million in fiscal 2017.

Local Effect: None.

Program Description/Recent History: In June 2016, OAG announced a consumer settlement that requires Volkswagen to pay more than $570.0 million for violating state laws prohibiting unfair or deceptive trade practices by marketing, selling, and leasing diesel vehicles equipped with illegal and undisclosed defeat device software. This agreement is part of a series of state and federal settlements that will provide cash payments to affected consumers, require Volkswagen to buy back or modify certain VW and Audi 2.0-liter diesel vehicles, and prohibit Volkswagen from engaging in future unfair or deceptive acts and practices in connection with its dealings with consumers and regulators. Under the terms of this settlement, Volkswagen must pay Maryland more than $15.0 million. Funds received under this settlement are not restricted.

In a related environmental settlement, Volkswagen must pay $2.7 billion into an Environmental Mitigation Fund to support environmental programs throughout the country to reduce emissions of nitrogen oxides (NOx). This fund, also subject to court approval, is intended to mitigate the total, lifetime excess NOx emissions from specified 2.0-liter diesel vehicles. Maryland is eligible to receive approximately $71.0 million in grants to fund mitigation projects.

Location of Provision in the Bill: Section 8 (p. 23)

Analysis prepared by: Jennifer B. Chasse

Maryland Correctional Enterprises Revolving Fund

Provision in the Bill: Authorizes the transfer of $2.5 million from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2018.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Rev	$0	$2.5	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.5 million in fiscal 2018. Future years are not affected. The projected fiscal 2017 closing fund balance for the Maryland Correctional Enterprises Revolving Fund is $29.0 million. Following the transfer, the balance will be approximately $26.5 million, of which $22.0 million is restricted to account for fluctuations in accounts receivable, expansion projects, vehicle and equipment purchases, and utility reimbursements.

Local Effect: None.

Program Description: Maryland Correctional Enterprises (formerly State Use Industries) provides work and job training for inmates incarcerated in State correctional facilities. Maryland Correctional Enterprises produces goods and supplies services at a cost that does not exceed the prevailing average market price. These goods and services are used by local, State, and federal agencies. These goods are also available for use by charitable, civic, educational, fraternal, or religious organizations. In fiscal 2015, Maryland Correctional Enterprises employed 2,041 inmates and generated revenues of $54.1 million, resulting in a net profit of $430,000, following a $1.0 million transfer from the revolving fund to the general fund. In fiscal 2016, inmate employment declined slightly to 2,035, while revenues increased to $61.4 million. Maryland Correctional Enterprises closed fiscal 2016 with a net profit of $3.2 million.

Location of Provision in the Bill: Section 2 (p. 22)

Analysis prepared by: Rebecca J. Ruff

Division of Racing

Provisions in the Bill: Repeal mandated grants in fiscal 2018 and 2019 of (1) $350,000 to the Maryland Office of Sports Marketing for incentive grants for youth and amateur sporting events and (2) $150,000 to the Maryland Humanities Council. Repeal the requirement that $1.0 million of lottery revenues be transferred to the Horse Racing Special Fund for these purposes and for (1) $500,000 to a purse for the Maryland International thoroughbred race in fiscal 2018 and 2019 and (2) $500,000 in fiscal 2017 for a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes. Fund the mandates for the purse for the Maryland International thoroughbred race and the fiscal 2017 bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes through the Purse Dedication Account. Require that the salaries and administrative expenses of the Division of Racing be funded by the Purse Dedication Account beginning with fiscal 2018.

Agency: Department of Labor, Licensing, and Regulation; Maryland Stadium Authority

Type of Action: Mandate relief; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Rev	$1.0	$1.0	$1.0	$0	$0	$0
GF Exp	$0	($2.5)	($2.5)	($2.5)	($2.5)	($2.5)
SF Exp	($0.5)	($1.0)	($1.0)	$0	$0	$0

State Effect: General fund revenues increase by $1.0 million in fiscal 2017 through 2019 as lottery revenues will no longer be diverted to the Horse Racing Special Fund and will instead accrue to the general fund.

The requirement to fund the salaries and administrative expenses of the Division of Racing with special funds from the Purse Dedication Account reduces general fund expenditures by $2.5 million annually beginning in fiscal 2018. The Governor's proposed fiscal 2018 budget includes two general fund reductions totaling $2.5 million contingent on legislation to authorize the use of Purse Dedication Account funds for administrative costs.

Special fund spending decreases by $0.5 million in fiscal 2017 and by $1.0 million in fiscal 2018 and 2019 due to reduced spending from the Horse Racing Special Fund for (1) the Preakness Stakes bonus award program in fiscal 2017 ($0.5 million) and (2) the Humanities Council ($0.15 million), Maryland Office of Sports Marketing ($0.35 million), and purse for the Maryland International race ($0.5 million) in fiscal 2018 and 2019. Funds from the Purse Dedication Account that would otherwise have been spent on purses for the thoroughbred and standardbred industries will fund the purse for the Maryland

International race in fiscal 2018 and 2019, Preakness Stakes bonus award program in fiscal 2017, and salaries and administrative expenses of the Division of Racing in fiscal 2018 and each subsequent year. The use of the Purse Dedication Account for these purposes does not increase special fund spending since the new activities will substitute for the purses that would otherwise have been funded by the account.

Local Effect: None.

Program Description: The Division of Racing within the Department of Labor, Licensing, and Regulation regulates pari-mutuel betting, approves horse racing days and types of betting, licenses racing participants, and generally administers horse racing in Maryland. The Purse Dedication Account is funded by 6.0% of video lottery terminal revenues derived from the State's casinos (2.5% from the Allegany County facility). It is used to supplement purses and bred funds for both thoroughbred and standardbred racing in the State. The Governor's proposed fiscal 2018 budget for the Purse Dedication Account is $67.4 million.

Recent History: Chapter 727 of 2016 established the Maryland International thoroughbred race to be conducted by a licensee at Laurel Park, subject to the approval of the Maryland Racing Commission. Additionally, from the State Lottery Fund, the Comptroller must annually distribute $1.0 million to the horse racing special fund to fund (1) a purse for the Maryland International thoroughbred race; (2) a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes; and (3) grants to the Maryland Office of Sports Marketing and the Maryland Humanities Council.

Location of Provisions in the Bill: Section 1 (pp. 4-6 and 19-20)

Analysis prepared by: Jody J. Sprinkle

Supplemental Pension Contribution (Sweeper)

Provision in the Bill: Repeals the requirement, for fiscal 2018 only, that the Governor include an appropriation to the State Retirement and Pension System (SRPS) trust fund equal to one-half of the amount by which the unappropriated general fund surplus exceeds $10.0 million in the second preceding fiscal year, up to a maximum of $50.0 million.

Agencies: State Retirement Agency; Department of Budget and Management

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
SF Rev	$0	($55.7)	$0	$4.00	$4.10	$4.20
GF Exp	$0	($50.0)	$0	$3.36	$3.44	$3.53
SF Exp	$0	($3.6)	$0	$0.32	$0.33	$0.34
FF Exp	$0	($2.1)	$0	$0.32	$0.33	$0.34

State Effect: General fund expenditures decrease by $50.0 million in fiscal 2018 due to repeal of the mandated appropriation; special fund revenues for the trust fund decrease commensurately. The Governor's proposed fiscal 2018 budget includes a $55.7 million reduction contingent on legislation reducing the amount of the retirement reinvestment contribution. State pension contributions increase by a total of $4.0 million in fiscal 2020, which represents the amortized cost of not making the fiscal 2018 payment. The amortized costs do not begin until fiscal 2020 because the actuarial loss resulting from the missed payment is not recognized until the June 30, 2018 actuarial valuation of SRPS assets and liabilities. That valuation report determines State pension contributions for fiscal 2020. Amortization payments increase annually based on actuarial assumptions and are assumed to be allocated 84.0% general funds, 8.0% special funds, and 8.0% federal and other funds.

Local Effect: State retirement aid to local jurisdictions is reduced by a total of $37.7 million in fiscal 2018: $35.6 million for public schools; $1.5 million for community colleges; and $0.6 million for libraries. The impact of this reduction on counties is shown in **Appendix C**.

Program Description: The Budget Reconciliation and Financing Act of 2015 required that, for fiscal 2017 through 2020, an amount equal to one-half of the unappropriated general fund surplus in excess of $10.0 million from the second prior fiscal year be paid to the SRPS trust fund, up to a maximum of $50.0 million annually. Any unappropriated general fund balance in excess of $10.0 million that is not otherwise paid to the pension trust fund is paid to the Revenue Stabilization Account (Rainy Day Fund). Any funds in the Rainy Day Fund in excess of 5.0% of the State's annual operating expenditures are available for transfer to the general fund for budget relief; if the transfer reduces the Rainy Day Fund balance below 5.0%, funds may only be transferred contingent on separate authorizing legislation.

Recent History: The unappropriated general fund balance exceeded $10.0 million in both fiscal 2015 ($295.3 million) and 2016 ($196.5 million). At these levels, the maximum $50.0 million contribution to the SRPS trust fund was made in fiscal 2017 and is required to be included in the Governor's proposed fiscal 2018 budget. The provision does not affect the required payments, if any, for fiscal 2019 and 2020.

Location of Provision in the Bill: Section 1 (p. 18)

Analysis prepared by: Michael C. Rubenstein

Medicaid Deficit Assessment

Provisions in the Bill: Delay to fiscal 2019 the ongoing requirement that the Governor reduce the Medicaid Deficit Assessment by $25.0 million over the assessment level for the prior fiscal year. For fiscal 2018, the budgeted Medicaid Deficit Assessment must be $364.8 million.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
SF Rev	$0	$25.0	$0	$0	$0	$0
GF Exp	$0	($25.0)	$0	$0	$0	$0
SF Exp	$0	$25.0	$0	$0	$0	$0

State Effect: The fiscal 2017 budget is the first to contain a reduction in the Medicaid Deficit Assessment, from $389.8 million to $364.8 million. The proposed one-year delay in the assessment reduction keeps the assessment at $364.8 million in fiscal 2018, rather than the $339.8 million anticipated under current law. As a result, in fiscal 2018, general fund expenditures decrease by $25.0 million, while special fund revenues and expenditures increase by $25.0 million. The Governor's proposed fiscal 2018 budget includes a $25.0 million general fund reduction contingent on legislation suspending the Medicaid Deficit Assessment for fiscal 2018 only.

Local Effect: None.

Recent History: During the most recent recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals. The Budget Reconciliation and Financing Act of 2014 required the Health Services Cost Review Commission (HSCRC) to calculate the general fund savings to Medicaid resulting from implementation of the all-payer model contract. Any savings were to be used to reduce the Medicaid Deficit Assessment. The Budget Reconciliation and Financing Act of 2015 delayed the reduction in the assessment based on the methodology developed by HSCRC by one year and also replaced the savings methodology with a simple reduction of $25.0 million over the prior year appropriation of the Medicaid deficit assessment.

Location of Provisions in the Bill: Section 1 (p. 21)

Analysis prepared by: Simon G. Powell

Prince George's Regional Medical System

Provision in the Bill: Restructures mandated operating grants to the University of Maryland Medical System (UMMS) for the Prince George's County Regional Medical System (PGCRMS). In fiscal 2018, the operating grant is reduced from $30.0 million to $15.0 million. In fiscal 2020 and 2021, the operating grant is increased from $5.0 million to $15.0 million. In fiscal 2022, the Governor must provide $2.5 million.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	(*$ in millions*) **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($15.0)	$0	$10.0	$10.0	$2.5

State Effect: Restructuring of operating grant funding to UMMS for PGCRMS reduces general fund expenditures by $15.0 million in fiscal 2018; general fund expenditures increase by $10.0 million in fiscal 2020 and 2021 and by $2.5 million in fiscal 2022. The Governor's proposed fiscal 2018 budget includes a $15.0 million general fund reduction contingent on legislation reducing the operating grant for Prince George's Regional Medical Center. While a $15.0 million grant is appropriated in the fiscal 2017 budget, the Governor's proposed fiscal 2018 budget includes a negative deficiency reducing the appropriation to $7.5 million in fiscal 2017.

Local Effect: None.

Program Description/Recent History: Operational funding is provided to UMMS to assist in the transition of a new PGCRMS to UMMS. In accordance with a 2008 memorandum of understanding (MOU) between the State, Prince George's County, and Dimensions Health Care, a financial commitment of $150.0 million in operating funds was to be provided over five years, split equally between each party, and $24.0 million in State capital funding over three years. The MOU was updated in calendar 2011 to include UMMS and the University System of Maryland. Operating funding of $15.0 million was provided by the State in fiscal 2011 through 2015. In fiscal 2016, no operating funds were provided. The fiscal 2017 budget includes $15.0 million through a supplemental budget.

As shown in **Exhibit 2**, Chapter 13 of 2016 provided for up to $55.0 million of operating grant support to UMMS for PGCRMS between fiscal 2018 and 2021. The provision in this bill provides a total of $62.5 million between fiscal 2018 and 2022. The net increase in general fund expenditures compared with current law is $7.5 million, which offsets a $7.5 million reduction to the fiscal 2017 appropriation included in the Governor's proposed fiscal 2018 budget.

Exhibit 2
Operating Funding for Prince George's Regional Medical System
Current Law vs. HB 152/SB 172 of 2017
Fiscal 2017-2022
($ in Millions)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Total
Under Current Law/ Fiscal 2017 Appropriation	$15.0	$30.0	$15.0	$5.0	$5.0	$0	$70.0
Under HB 152/SB 172 of 2017[1]	$7.5	$15.0	$15.0	$15.0	$15.0	$2.5	$70.0

[1] Reflects a $7.5 million deficiency in the Governor's proposed fiscal 2018 budget.

Note: Chapter 13 of 2016 committed the State to $15.0 million to be provided in fiscal 2018 or $30.0 million if a grant of $15.0 million was not provided in a fiscal 2016 deficiency appropriation. No deficiency appropriation was provided in fiscal 2016.

Source: Department of Legislative Services

Location of Provision in the Bill: Section 1 (p. 15)

Analysis prepared by: Lindsey B. Holthaus

Baltimore Regional Neighborhood Initiative Program

Provisions in the Bill: Repeal the requirement that the Governor provide $12.0 million in the operating budget for the Baltimore Regional Neighborhood Initiative (BRNI) Program in fiscal 2018 through 2022. Instead, the Governor must include $3.0 million in general obligation (GO) bonds for the program in fiscal 2018. Funding for BRNI is discretionary beginning in fiscal 2019 and may be provided through the operating or capital budget.

Agency: Department of Housing and Community Development (DHCD)

Type of Action: Mandate relief; fund swap

Fiscal Impact:	***($ in millions)*** **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($12.0)	($12.0)	($12.0)	($12.0)	($12.0)
GO Bonds	$0	$3.0	$3.0	$3.0	$3.0	$3.0

State Effect: General fund expenditures decrease by $12.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $12.0 million general fund reduction contingent on legislation altering the mandate for BRNI. As a source of partial replacement funds, the Governor's proposed fiscal 2018 capital budget includes $3.0 million in GO bonds as stipulated, and an additional $3.0 million is programmed in the 2017 *Capital Improvement Program* for fiscal 2019 through 2022. Future years reflect no discretionary general funding as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease by $12.0 million in fiscal 2019 through 2022.

Local Effect: None.

Program Description: BRNI provides grants to fund comprehensive revitalization strategies in sustainable community areas in Baltimore City and Baltimore and Anne Arundel counties. Grant recipients are nonprofit community development groups performing property acquisition, redevelopment, rehabilitation, and new infill development.

Recent History: Chapter 29 of 2016 codified BRNI, a previously existing program within DHCD's Division of Neighborhood Revitalization and mandated a $12.0 million appropriation in fiscal 2018 through 2022.

Location of Provisions in the Bill: Section 1 (p. 16)

Analysis prepared by: Jason A. Kramer

Rate Increase for Community Service Providers

Provision in the Bill: Reduces the mandated rate increase for community service providers in fiscal 2018 from 3.5% to 2.0%.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
			($ in millions)			
FF Rev	$0	($7.0)	($7.2)	($7.4)	($7.5)	($7.7)
GF Exp	$0	($8.4)	($8.7)	($8.9)	($9.1)	($9.3)
FF Exp	$0	($7.0)	($7.2)	($7.4)	($7.5)	($7.7)

State Effect: Fiscal 2018 expenditures decrease by $8.4 million in general funds and $7.0 million in federal funds. Federal fund revenues decrease by a corresponding amount. The Governor's proposed fiscal 2018 budget includes an $8.4 million general fund and a $7.0 million federal fund reduction contingent on legislation reducing the mandated provider rate increase from 3.5% to 2.0% for the Developmental Disabilities Administration (DDA). Savings accrue in future years due to a reduction in the rates paid in fiscal 2018 on which future rate increases are based.

Local Effect: None.

Program Description: DDA provides services to developmentally disabled individuals through funding of a coordinated service delivery system that supports individuals in the community.

Recent History: Chapter 262 of 2014 mandated rate increases for developmental disabilities community service providers. Annual rate increases of 3.5% over the funding provided in the legislative appropriation for the prior fiscal year were required in fiscal 2016 through 2019. However, cost containment actions reduced provider rate increases from 3.5% to 3.0% in fiscal 2016. A provider rate increase of 3.5% is included in the fiscal 2017 budget.

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

Analysis prepared by: Lindsey B. Holthaus

Local Income Tax Disparity Grant

Provisions in the Bill: For fiscal 2018 only, limit the amount that a county or Baltimore City may receive through the disparity grant program to the amount of the fiscal 2017 distribution after the November 2, 2016 Board of Public Works action. Repeal the minimum grant amount of 67.5% of the disparity grant calculation to be provided in fiscal 2018 and 2019 only for counties with a tax rate of at least 3.2%.

Agency: Payments to Civil Divisions

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($8.4)	($4.8)	$0	$0	$0

State Effect: General fund expenditures decrease by $8.4 million in fiscal 2018 and $4.8 million in fiscal 2019. The Governor's proposed fiscal 2018 budget includes an $8.4 million general fund reduction contingent on legislation level funding the grants at the fiscal 2017 amount.

Local Effect: State aid for Baltimore City and Cecil, Prince George's, Somerset, Washington, and Wicomico counties decreases by $8.4 million in fiscal 2018. In fiscal 2019, State aid for Prince George's, Somerset, and Wicomico counties decreases by $4.8 million. The impact of this reduction on counties is shown in **Appendix C**.

Program Description/Recent History: 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 an adjusted per capita taxable income of less than 75.0% of the statewide average receives a grant, unless the county has an income tax rate below 2.6%. The grant is equal to the lesser dollar amount of what is needed to raise the county's adjusted per capita income tax revenues to 75.0% of the statewide average or the amount allocated under the cap provisions. The cap provisions provide the greater amount of what a county received in fiscal 2010 or a proportion of the amount necessary to raise the county's adjusted per capita income tax revenues to 75.0% of the statewide average based on that county's local income tax rate. For a county with a rate between 2.8% and 3.0%, the proportion is 20.0%; between 3.0% and 3.2%, the proportion is 40.0%; and at 3.2%, the proportion is 60.0%, except in fiscal 2018 or 2019, when it is 67.5%. Chapter 738 of 2016 increased the minimum grant amount for counties with a 3.2% local income tax rate from 60.0% to 67.5% for fiscal 2018 and 2019 only.

Location of Provisions in the Bill: Section 1 (p. 17)

Analysis prepared by: Jordan D. More

Public School Opportunities Enhancement Program

Provision in the Bill: Repeals the mandate that the Public School Opportunities Enhancement Program be funded at $7.5 million annually in fiscal 2018 through 2021; funding for the program is discretionary in fiscal 2019 through 2021.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	***($ in millions)*** **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($7.5)	($7.5)	($7.5)	($7.5)	$0

State Effect: General fund expenditures decrease by $7.5 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $7.5 million general fund reduction contingent on legislation repealing the mandate that funding be provided for the program. Future years reflect no discretionary funding for the program as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease by $7.5 million in fiscal 2019 through 2021. No savings are assumed in fiscal 2022, as the mandate is required under current law through fiscal 2021 only.

Local Effect: State revenues to local school systems decline to the extent they are potential grantees. Potential grantees in Baltimore City and Allegany, Caroline, Dorchester, Kent, Prince George's, Somerset, and Wicomico counties collectively incur foregone revenue of up to $7.3 million annually. Operating expenses to administer the grant program are estimated to total approximately $170,000 annually, leaving $7.3 million available for grant funding. To qualify for a grant under the program, a grantee must provide programs in a county in which at least 50.0% of public school students as a percentage of full-time equivalent students qualify for free lunch under the National School Lunch Program. Local school systems are also relieved of matching fund expenditures, though some local school systems may choose to fund relevant programming even if State support is not provided.

Program Description/Recent History: Chapter 32 of 2016 established the Public School Opportunities Enhancement Program. The program is intended to assist local school systems, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer enhancement programs and to assist nonprofit organizations in the State and community schools in expanding or supporting existing educational programming during the school day.

Location of Provision in the Bill: Section 1 (p. 9)

Analysis prepared by: Scott P. Gates

Joseph A. Sellinger Program for Independent Colleges and Universities

Provision in the Bill: Reduces the fiscal 2018 appropriation for the Joseph A. Sellinger formula for qualifying independent colleges and universities to the fiscal 2017 amount. The statutory percentages are unchanged in future years.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($6.6)	$0	$0	$0	$0

State Effect: Under the revised funding amount, mandated general fund expenditures for the Sellinger formula decrease in fiscal 2018 by $6.6 million. The Governor's proposed fiscal 2018 budget includes a $6.6 million general fund reduction contingent on legislation to level fund the grant to private colleges and universities at the fiscal 2017 amount.

Local Effect: None.

Program Description: The Joseph A. Sellinger Program provides State funding to 13 qualifying nonprofit independent colleges and universities. The Sellinger formula uses a percentage of the State's per full-time equivalent student (FTES) funding for select public four-year institutions of higher education to determine a per FTES funding amount for the independent institutions. Under current law, the mandated Sellinger percentage of per FTES funding at the four-year institutions is 10.5% for fiscal 2018 and is scheduled to phase up to full funding (15.5%) for fiscal 2021 and subsequent years. The Governor's proposed fiscal 2018 budget includes $46.8 million for the Sellinger program, equivalent to 9.2% of per FTES funding.

Recent History: The Budget Reconciliation and Financing Act of 2012 reduced the statutory percentages and set State funding per FTES at the fiscal 2013 level from fiscal 2014 through 2017 and reduced formula funding levels for fiscal 2018 through 2020. The Budget Reconciliation and Financing Act of 2014 altered the funding percentages in statute to increase support for eligible institutions sooner than originally planned.

Location of Provision in the Bill: Section 1 (pp. 9-10)

Analysis prepared by: Garret T. Halbach

Teacher Induction, Retention, and Advancement Pilot Program

Provision in the Bill: Repeals the mandate that the Governor provide $5.0 million annually for the Teacher Induction, Retention, and Advancement Pilot Program; funding for the pilot program is discretionary beginning in fiscal 2019.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	($0)	($5.0)	($5.0)	($5.0)	($5.0)	($5.0)

State Effect: General fund expenditures decrease by $5.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $5.0 million general fund reduction contingent on legislation repealing the mandate that funding be provided for the pilot program. Future years reflect no discretionary funding for the pilot program as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease in fiscal 2019 through 2022. Under current law, the pilot program runs through fiscal 2022 only.

Local Effect: Local school system revenues from the pilot program decrease by $5.0 million annually beginning in fiscal 2018. Local school system expenditures for the program also decrease.

Program Description/Recent History: Chapter 740 of 2016 established the Teacher Induction, Retention, and Advancement Pilot Program for first-year teachers. The pilot program, in effect through fiscal 2022, is to afford first-year teachers and experienced mentor teachers selected by their local school systems more time on specified professional development activities. Any costs incurred must be borne 80.0% by the State (up to $5.0 million annually) and 20.0% by the local boards of education that choose to participate in the pilot program. By December 1, 2021, MSDE must report on the retention of first-year teachers who participated in the program versus similarly situated first-year teachers who did not participate, and make recommendations on whether to continue, modify, or eliminate the pilot program.

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

Analysis prepared by: Caroline L. Boice

Next Generation Scholars of Maryland Program

Provision in the Bill: Repeals the mandate that the Next Generation Scholars of Maryland Program be funded at $5.0 million annually through fiscal 2023; funding for the program is discretionary beginning in fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($5.0)	($5.0)	($5.0)	($5.0)	($5.0)

State Effect: General fund expenditures decrease by $5.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $5.0 million general fund reduction contingent on legislation repealing the mandate that funding be provided for the program. Future years reflect no discretionary funding for the program as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease in fiscal 2019 through 2023.

Local Effect: None. However, without funding, eligible students in Baltimore City and Allegany, Caroline, Dorchester, Kent, Prince George's, Somerset, and Wicomico counties will not be able to participate in the program.

Program Description/Recent History: Chapter 33 of 2016 reestablished the College Readiness Outreach Program as the Next Generation Scholars of Maryland Program. In addition to making significant changes to the program, for each year from fiscal 2018 through 2023, Chapter 33 requires the Governor to include $5.0 million in general funds for the program to be administered in school systems in which at least 50.0% of the students are eligible to receive a free lunch under the National School Lunch Program in the 2015-2016 school year. Funding is to be distributed to qualified nonprofit organizations to provide guidance and services including mentorship, graduation guidance, and an intensive summer bridge program to specified students eligible for the Guaranteed Access scholarship for qualified low-income students to attend an institution of higher education.

Location of Provision in the Bill: Section 1 (pp. 10-11)

Analysis prepared by: Caroline L. Boice

Seed Community Development Anchor Institution Fund

Provision in the Bill: Repeals the requirement that the Governor provide $5.0 million for the Seed Community Development Anchor Institution Fund in fiscal 2018 through 2022 and instead makes funding discretionary (through either the operating or capital budget) beginning in fiscal 2019.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($5.0)	($5.0)	($5.0)	($5.0)	($5.0)

State Effect: General fund expenditures decrease by $5.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $5.0 million general fund reduction contingent on legislation repealing the mandate. Future years reflect no discretionary funding as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease by $5.0 million in fiscal 2019 through 2022.

Local Effect: None.

Program Description/Recent History: Chapter 31 of 2016 created the Seed Community Development Anchor Institution Fund and required a $5.0 million appropriation to the fund in fiscal 2018 through 2022. The purpose of the fund is to provide grants and loans to "anchor institutions" for community development projects in blighted areas of the State.

Location of Provision in the Bill: Section 1 (p. 16)

Analysis prepared by: Jason A. Kramer

University System of Maryland Enhanced Funding Guideline Attainment

Provision in the Bill: Repeals the requirement that *at least* an additional $4.0 million be provided to the University System of Maryland Office (USMO) to increase the estimated funding guideline attainment levels of the primarily residential institutions with the lowest estimated fiscal 2016 funding guideline attainment levels; funding for this purpose is discretionary in fiscal 2019 through 2021.

Agency: University System of Maryland Office

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($4.0)	($8.0)	($12.0)	($16.0)	($16.0)

State Effect: Under current law, Towson University and the University of Maryland Baltimore County had the lowest funding guideline attainment in fiscal 2016 and would receive $0.5 million and $3.5 million in fiscal 2018, respectively. Thus, under these provisions, general fund expenditures decline by $4.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes $4.0 million in general fund reductions contingent on legislation repealing the requirement that additional funding be provided to increase funding guideline attainment.

As general funds provided to increase funding guideline attainment are supplemental to the annual appropriation for each institution, they increase each institution's base budget in future years. Future years reflect no discretionary funding as assumed in the Administration's out-year forecast. Thus, general fund expenditures decline by a total of $8.0 million in fiscal 2019, $12.0 million in fiscal 2020, and $16.0 million in fiscal 2021 and each year thereafter.

Local Effect: None.

Program Description: Chapter 25 of 2016 requires the Governor, in fiscal 2018 through 2021, to provide at least an additional $4.0 million to USMO to increase estimated funding guideline attainment levels at specified institutions. USMO must allocate the funds in a manner that brings those institutions as close as possible to a 64% estimated funding guideline attainment level by fiscal 2021. Funding guidelines were used beginning in 2001 to assess how Maryland's public four-year institutions were funded relative to their peers.

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

Analysis prepared by: Sara J. Baker

Teacher Stipends

Provisions in the Bill: Repeal the mandate that the State match county teacher stipends for teachers who hold National Board Certification (NBC); funding for the stipends is discretionary beginning in fiscal 2019. Reduce the maximum State match for stipends for teachers who hold NBC and work in a comprehensive needs school from $4,000 to $2,000. Repeal the mandate, in fiscal 2018 and 2019, that the State match stipends for specified Anne Arundel County Public Schools (AACPS) classroom teachers; funding for the stipends is discretionary in fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($3.0)	($3.0)	($1.1)	($1.1)	($1.1)

State Effect: General fund expenditures decrease by an estimated $3.0 million in fiscal 2018 and 2019, assuming local school systems would choose to grant specified teachers the maximum stipend amount and a level number of eligible teachers. The Governor's proposed fiscal 2018 budget includes a $1.1 million general fund reduction contingent on legislation reducing the mandated stipend amount by $2,000 for teachers who hold NBC and a $1.9 million general fund reduction contingent on legislation repealing the stipend for specific AACPS teachers. After the contingent reduction for NBC stipends, $3.5 million remains in the Governor's proposed fiscal 2018 budget for the stipends. No funding remains for the AACPS stipend after the contingent reduction.

Based on the Administration's out-year forecast, it is assumed that the AACPS stipend is not funded in fiscal 2019, but that the discretionary NBC stipends are level funded at $3.5 million in fiscal 2019 through 2022. Under current law, the AACPS stipend program ends in fiscal 2019; thus, there are no savings for the program beyond fiscal 2019. For fiscal 2020 and beyond, general fund expenditures for NBC stipends decrease by an estimated $1.1 million annually.

Local Effect: Local school system revenues and expenditures decrease by an estimated total of $1.1 million in fiscal 2018 for the State match for NBC stipends and by up to an estimated $1.1 million in future years, assuming counties intended to grant the maximum stipend amount. In addition, local school system expenditures for the local portion of the stipend may decrease due to the reduced State match in fiscal 2018 and beyond.

AACPS revenues and expenditures decrease by an estimated $1.9 million in fiscal 2018 and by up to an estimated $1.9 million in fiscal 2019, assuming AACPS intended to grant specified teachers the maximum stipend amount. In addition, AACPS expenditures for the local portion of the stipend may decrease due to the lack of a State match in fiscal 2018 and 2019.

Program Description: The State matches county stipends for specified NBC teachers, up to $4,000 per NBC teacher who works at a school with comprehensive needs and up to $1,000 per NBC teacher who works at a school without comprehensive needs. The State also matches stipends for specified AACPS teachers.

Recent History: Chapter 600 of 1999, the Quality Teacher Incentives (QTI) Act, established the NBC teacher stipends and other incentives for teachers as a mandatory program. The QTI program budget grew to $21.9 million in fiscal 2015, prompting cost containment actions, including the repeal of a non-NBC stipend in the Budget Reconciliation and Financing Act of 2015. Chapter 740 of 2016 increased the maximum State match for stipends for teachers who hold NBC and work in a school with comprehensive needs from $2,000 to $4,000. In addition, Chapter 740 established a matching State stipend of up to a maximum of $1,500 for specified AACPS classroom teachers. The Governor is required to include funding for the AACPS stipends in fiscal 2018 and 2019.

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

Analysis prepared by: Caroline L. Boice

Enoch Pratt Free Library

Provision in the Bill: Repeals the mandate, for fiscal 2018 through 2022, that the Governor provide a $3.0 million grant to support additional operating expenses for branches of the Enoch Pratt Free Library (EPFL) that increase their operating hours; funding for the grant is discretionary beginning in fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($3.0)	($3.0)	($3.3)	($3.3)	($3.3)

State Effect: General fund expenditures decrease by $3.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $3.0 million general fund reduction contingent on legislation repealing the mandate that funding be provided to expand hours of operation at branches of EPFL. Future years reflect no discretionary funding for the grant as assumed in the Administration's out-year forecast. General fund expenditures are further reduced by an additional $250,000 annually in fiscal 2020 through 2024 due to a decrease in State retirement aid for Baltimore City professional library staff.

Local Effect: State funding to Baltimore City decreases by $3.0 million in fiscal 2018 through 2022. Assuming that expanded operating hours will not be pursued by Baltimore City in the absence of State funding, and given a matching requirement of 25.0%, Baltimore City expenditures of State and local funds decrease by $3.75 million annually in fiscal 2018 through 2022. Additional Baltimore City retirement costs for nonprofessional staff that would be required to extend hours at EPFL decrease by approximately $210,000 annually in fiscal 2019 through 2023.

Program Description/Recent History: Chapters 714 and 715 of 2016 established the grant. To receive grant funding, Baltimore City must (with public and/or private funds) provide a 25.0% funding match. The increased operating hours are intended to be prioritized to EPFL branches located in low-income and underserved communities. Baltimore City advises that, as of January 31, 2017, extended hours for EPFL branches have not been initiated, and that public meetings to form a plan for doing so are on hold, pending a decision at the State level regarding funding for expanded EPFL branch hours.

Location of Provision in the Bill: Section 1 (pp. 11-12)

Analysis prepared by: Scott P. Gates

Shelter and Transitional Housing Facilities Grant Program

Provision in the Bill: Repeals the requirement, in fiscal 2018 and each fiscal year thereafter, that the Governor provide *at least* $3.0 million for the Shelter and Transitional Housing Facilities Grant Program; instead, authorizes funding to be provided through the operating or capital budget on a discretionary basis.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)
GO Bonds	$0	$3.0	$3.0	$3.0	$3.0	$3.0

State Effect: General fund expenditures decrease by $3.0 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $3.0 million general fund reduction contingent on enactment of legislation to authorize the use of general obligation (GO) bonds for the program. As a source of replacement funds, the Governor's proposed fiscal 2018 capital budget includes $3.0 million in GO bonds for the program, and an additional $3.0 million in GO bonds are programmed in the 2017 *Capital Improvement Program* for fiscal 2019 through 2022. Future years reflect no discretionary general funds as assumed in the Administration's out-year forecast; therefore, general fund expenditures decrease by $3.0 million in fiscal 2019 and future years.

Local Effect: None.

Program Description: The Shelter and Transitional Housing Facilities Grant Program provides grants to local governments and nonprofits in order to develop emergency shelters and transitional housing for homeless individuals and families. Grantees use the funds to acquire, design, construct, renovate, and equip projects for which loan financing is not feasible. Funding is generally limited to 50.0% of a project's cost.

Recent History: Chapters 698 and 699 of 2016 mandated an annual appropriation of $3.0 million to the program.

Location of Provision in the Bill: Section 1 (p. 15)

Analysis prepared by: Jason A. Kramer

Next Generation Farmland Acquisition Program

Provision in the Bill: Reduces the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program from $5.0 million to $2.5 million and defers funding of the remaining $2.5 million to fiscal 2019.

Agency: Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($2.5)	$2.5	$0	$0	$0

State Effect: General fund expenditures decrease by $2.5 million in fiscal 2018 and increase by $2.5 million in fiscal 2019. The Governor's proposed fiscal 2018 budget reduces the MARBIDCO general fund appropriation by $2.5 million, contingent on the enactment of legislation providing funding over two years for the Next Generation Farmland Acquisition Program.

Local Effect: None.

Program Description/Recent History: Chapter 10 of 2016 requires that the Governor include in the budget bill for fiscal 2018 a general fund appropriation of $5.0 million to MARBIDCO to provide grants for the use of the Next Generation Farmland Acquisition Program. The program is intended to help qualified beginning or young farmers purchase farmland for sustainable agricultural uses.

Location of Provision in the Bill: Section 1 (p. 21)

Analysis prepared by: Scott D. Kennedy

Core Public Health Services Funding Formula

Provisions in the Bill: Reduce the Core Public Health Services (CPHS) funding formula to $49,488,474 (the fiscal 2017 level) for fiscal 2018 and rebase the formula beginning in fiscal 2019 at the fiscal 2018 level plus inflation and population growth.

Agency: Department of Health and Human Services

Type of Action: Mandate relief

Fiscal Impact:	*($ in dollars)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($747,276)	($765,211)	($788,167)	($813,389)	($840,231)

State Effect: General fund expenditures decrease by $747,276 in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $747,276 general fund reduction contingent on legislation reducing the required appropriation for CPHS to level fund aid at the fiscal 2017 level. Out-year savings are due to inflationary factors being applied to a lower base.

Local Effect: Revenues to local health departments decline by the same amount as the State general fund savings shown. The impact of the reduction in aid on counties is shown in **Appendix C**.

Program Description: CPHS funding is established by statutory formula adjusted yearly for inflation and population growth. Matching funds are required from each local jurisdiction according to each jurisdiction's revenue-raising ability.

Recent History: The Budget Reconciliation and Financing Act of 2014 clarified the CPHS formula by specifying that inflationary adjustments are made to the amount of funding for the preceding year beginning in fiscal 2015. The Budget Reconciliation and Financing Act of 2015 reduced the CPHS formula to $41.7 million (the fiscal 2014 level) for fiscal 2015 and 2016. Since fiscal 2015, adjustments have been added not to the previous statutory base ($37.3 million) but rather to the prior year allocation. Contingent budget bill language in fiscal 2016 attempted to limit funding to the 2014 level of $41.7 million. However, funding was only reduced by $3.9 million, and funding for fiscal 2016 increased to $45.8 million in general funds. The fiscal 2017 budget for CPHS is $49.5 million.

Location of Provisions in the Bill: Section 1 (pp. 12-13)

Analysis prepared by: Lindsey B. Holthaus

State Aid for Police Protection

Provision in the Bill: Reduces the total amount of grants provided under the State Aid for Police Protection (SAPP) formula to $73.7 million in fiscal 2018. This maintains SAPP funding for each county and qualifying municipality at the fiscal 2017 funding level.

Agency: Governor's Office of Crime Control and Prevention

Type of Action: Mandate relief

Fiscal	*($ in dollars)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($465,142)	$0	$0	$0	$0

State Effect: General fund expenditures for SAPP decrease by $465,142 in fiscal 2018, based on the amount the Governor would have been required to provide absent this provision. The Governor's proposed fiscal 2018 budget includes a $465,142 general fund reduction contingent on legislation reducing the required SAPP appropriation to the funding amount provided to each county and qualifying municipality in fiscal 2017.

Local Effect: Local government SAPP grants are reduced by $465,142 in fiscal 2018. The Governor's proposed fiscal 2018 budget proposes to maintain SAPP funding for each county and qualifying municipality at the fiscal 2017 funding level. This results in a funding decrease for most local jurisdictions. The impact of this reduction for each county is shown in **Appendix C**.

Program Description: Maryland's counties and municipalities receive grants for police protection through the SAPP formula. SAPP generally allocates funds on a per capita basis, and jurisdictions with a higher population density receive greater per capita grants.

Recent History: As a cost containment measure, SAPP funding was capped at $67.3 million in fiscal 2015 and 2016. The formula was fully funded in fiscal 2017 at $73.7 million.

Location of Provision in the Bill: Section 1 (pp. 17-18)

Analysis prepared by: Shirleen M. E. Pilgrim

Robotics Grant Program

Provision in the Bill: Repeals the mandate that the Robotics Grant Program be funded at $250,000 annually; funding for the program is discretionary beginning in fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
	($ in dollars)					
GF Exp	$0	($250,000)	($250,000)	($250,000)	($250,000)	($250,000)

State Effect: General fund expenditures decrease by $250,000 in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $250,000 general fund reduction contingent on legislation repealing the mandate that funding be provided for the program. Future years reflect no discretionary funding for the program as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease by $250,000 in fiscal 2019 through 2022.

Local Effect: State revenues to local school systems that have, or may propose to have, robotics programs decrease by up to $250,000 statewide. The direct impact on public schools may be significantly less, given that nonprofit organizations are eligible to receive grant funding through the program.

Program Description/Recent History: Chapters 681 and 682 of 2016 established the Robotics Grant Program. The program is intended to provide grants to public schools and nonprofit robotics clubs to support existing robotics programs in the State and increase the number of robotics programs in the State. A school is eligible to receive a grant through the program if the school is proposing a new robotics program or club or has an existing robotics program or club. An existing nonprofit robotics club is eligible to receive a grant if it is associated with a public school.

Location of Provision in the Bill: Section 1 (pp. 8-9)

Analysis prepared by: Scott P. Gates

Maryland Center for Construction Education and Innovation

Provision in the Bill: Repeals, beginning in fiscal 2018, the mandated annual general fund appropriation of $250,000 to the Construction Education and Innovation Fund to support the operation of the Maryland Center for Construction Education and Innovation (MCCEI). Funding for the program is discretionary beginning in fiscal 2019.

Agency: None

Type of Action: Mandate Relief

Fiscal Impact:	*($ in dollars)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($250,000)	($250,000)	($250,000)	($250,000)	($250,000)

State Effect: General fund expenditures decrease by $250,000 in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $250,000 general fund reduction contingent on legislation repealing the mandate that funding be provided to MCCEI. Future years reflect no discretionary funding for MCCEI as assumed in the Administration's out-year forecast. Thus, general fund expenditures decrease in fiscal 2019 through 2022.

Program Description: MCCEI is a public-private partnership located at Towson University that was established in 2010. It resulted from work performed by the Center for Industry Initiatives for Construction of the then Governor's Workforce Investment Board (GWIB, now the Governor's Workforce Development Board). GWIB provided MCCEI with grant funding of $225,000 annually in fiscal 2013, 2014, and 2015. Towson University provides office space for the center on an in-kind basis. MCCEI now identifies itself as an industry-led workforce intermediary that was established to create a world-class education system for Maryland's built environment. Its current staff consists of an executive director and a communications coordinator.

Recent History: Chapter 34 of 2016 created the Construction Education and Innovation Fund and added the mandated appropriation for MCCEI beginning in fiscal 2018. The fiscal 2017 State budget, as enacted, restricts $250,000 for MCCEI as part of a larger package of $80.0 million in restricted funds. The budget requires that the Governor transfer all, or none, of the restricted funds to their designated purposes, but the Governor may not elect to transfer only some of the restricted funds. The Governor has announced his intention not to release any of the restricted funds in fiscal 2017.

Location of Provision in the Bill: Section 1 (pp. 16-17)

Analysis prepared by: Michael C. Rubenstein

Limiting Mandate Growth

Provision in the Bill: Section 9, beginning in fiscal 2019, limits the increase over the previous fiscal year of certain mandated appropriations to the lesser of (1) the amount of the existing formula calculation or (2) an amount equal to 1.0% less than the reported amount of general fund revenue growth in the December report of the Board of Revenue Estimates (BRE). Specified education spending, including most mandated K-12 spending, appropriations required to be made to the Revenue Stabilization Account, and required payments of principal or interest on State debt are exempt.

Agency: Maryland Department of Transportation; Department of Natural Resources; Department of Health and Mental Hygiene; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; St. Mary's College of Maryland; Baltimore City Community College; Department of Commerce; State Retirement Agency

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
FF Rev	$0	$0	(-)	(-)	(-)	(-)
GF Exp	$0	$0	($42.7)	($99.5)	($223.9)	($297.2)
SF Exp	$0	$0	($36.3)	($45.7)	($58.3)	($70.0)
FF Exp	$0	$0	($8.8)	($10.8)	($14.9)	($16.9)

State Effect: Required general, special, and federal fund expenditures decrease beginning in fiscal 2019 due to the ability to limit growth for certain mandated appropriations that would otherwise grow at a faster rate. Expenditures decline by a total of $924.3 million between fiscal 2019 and 2022, including $663.3 million (71.8%) in general funds, $209.3 million (22.6%) in special funds, and $51.7 million (5.6%) in federal funds. Actual savings may be less than estimated if the Governor elects to fund a program above the required level. This estimate is based on the following information and assumptions:

- Only mandates where an appropriation is required by statute with a clearly prescribed dollar amount or an objective basis from which funding can easily be computed and are subject to inflationary growth adjustments are included; mandates for which appropriations cannot be clearly calculated in advance (*i.e.*, entitlements such as Temporary Cash Assistance and Medicaid) are excluded.
- Growth in mandated appropriations is limited to 2.2% in fiscal 2019, 2.6% in fiscal 2020, 2.7% in fiscal 2021, and 2.8% in fiscal 2022, based on one percentage point less than the December 2016 BRE estimates of general fund growth for those years.
- Mandates that begin after fiscal 2018 are not altered in the first year of the mandate (*i.e.*, mandated repayments of $33.0 million to the Dedicated Purpose Account for funds previously borrowed from the Local Income Tax Reserve Account, which begin in fiscal 2021).

- Actuarially required retirement contributions are included in the analysis as they are not excluded under the legislation.
- The estimate does not account for mandated repayments to the Program Open Space Fund, and other funds, that the Governor must repay due to diverting transfer tax funds in previous years.
- General fund revenue growth has been less than 1.0% twice in the past 20 years. It is unclear whether mandated appropriations would be required to decrease or remain at the prior year's appropriation if general fund revenue growth were less than 1.0%.
- Other provisions of this bill alter mandated appropriations; therefore, this estimate assumes the full impact of Section 9 *and* other provisions in this bill that impact mandated appropriations.

Many mandated appropriations affected by Section 9 are altered by other sections of the bill. **Exhibit 3** illustrates the savings generated by Section 9 after accounting for other provisions in this bill. Many State mandates are not expected to be impacted by Section 9 because they are currently forecast to grow at a rate less than general fund revenues minus 1.0%.

Local Effect: Local governments receive a substantial amount of funding from mandated appropriations. Thus, State aid to local governments declines by $15.0 million in fiscal 2019, $48.3 million in fiscal 2020, $121.0 million in fiscal 2021, and $180.9 million in fiscal 2022.

Program Description: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. The General Assembly cannot add 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.

The General Assembly can increase or add appropriations relating to the Legislature or Judiciary. Through a supplementary appropriations bill, the General Assembly can also add expenditures if matched with new revenues. Through legislation, the General Assembly can mandate expenditures in the executive budget for a subsequent fiscal year.

The Department of Legislative Services reported on Mandated Appropriations in the Maryland State Budget in October 2016. Altogether, proposed fiscal 2017 appropriations with a mandated amount total $11.0 billion and entitlements total an additional $4.7 billion, for a combined 52.0% of the State-sourced portion of the budget.

Additional Comments: The provision is uncodified and, if enacted, will not be reflected in statute. This does not provide clarity or transparency regarding impacted mandated funding formulas and appropriations in future years.

Location of Provision in the Bill: Section 9 (p. 23)

Analysis prepared by: Heather N. Ruby

Exhibit 3
Impact on Total Expenditures
From Section 9 After Other Provisions in HB 152/SB 172
Fiscal 2019-2022

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
General Funds				
DDA Reimbursement to Community Services Providers	($9,969,306)	($9,969,306)	($9,969,306)	($9,969,306)
Senator John A. Cade Formula	(4,942,987)	(23,490,690)	(56,496,152)	(93,404,750)
Joseph A. Sellinger Formula	(9,263,418)	(12,366,799)	(39,483,388)	(42,365,792)
Preschool Development Grants	(3,591,216)	0	0	0
University of Maryland Strategic Partnership	(1,956,000)	(3,902,856)	(3,902,856)	(3,902,856)
College Affordability Act	(1,890,000)	(4,757,140)	(4,757,140)	(4,757,140)
Disparity Grants to Counties	0	(7,371,110)	(7,514,616)	(7,635,264)
Aid for Local Employees Retirement	0	(8,326,473)	(44,724,723)	(62,450,396)
State Retirement Contributions	(9,745,431)	(26,064,067)	(51,206,518)	(64,938,846)
Other	(1,354,699)	(3,268,532)	(5,866,269)	(7,734,814)
General Funds Subtotal	*(42,713,056)*	*(99,516,971)*	*(223,920,968)*	*(297,159,165)*
Special Funds				
Washington Metropolitan Area Transit Authority Operating Subsidy	(970,000)	(993,342)	(1,016,684)	(1,040,027)
Outdoor Recreation Land Loan Program – State Share	(26,263,089)	(29,454,600)	(31,906,929)	(33,919,025)
Outdoor Recreation Land Loan Program – Local Share	(5,494,634)	(6,524,774)	(7,372,014)	(10,946,554)
State Retirement Contributions	(3,608,773)	(8,727,409)	(18,018,137)	(23,079,948)
Special Funds Subtotal	*(36,336,496)*	*(45,700,125)*	*(58,313,765)*	*(69,985,553)*
Federal Funds				
DDA Reimbursement to Community Services Providers	(7,329,976)	(7,329,976)	(7,329,976)	(7,329,976)
State Retirement Contributions	(1,471,057)	(3,427,142)	(7,540,278)	(9,609,565)
Federal Funds Subtotal	*(8,801,033)*	*(10,757,118)*	*(14,870,254)*	*(16,939,541)*
Total	**($87,850,585)**	**($156,294,213)**	**($297,104,986)**	**($383,084,259)**

DDA: Developmental Disabilities Administration
ESOL: English for Speakers of Other Languages

Note: Numbers may not sum due to rounding. Other includes funding to public libraries, Maryland State Arts Council, Virginia-Maryland Regional College of Veterinary Medicine, Core Public Health Services formula, State Library Resource Centers, St. Mary's College of Maryland, Pathways in Technology Early College High Grants, Maryland Library for the Blind and Physically Handicapped, aid to community colleges (small college grants, ESOL grants, and retirement contributions), and the Maryland Stadium Authority.

Source: Department of Legislative Services

Use of Bay Restoration Fund for Biological Nutrient Removal

Provision in the Bill: Authorizes, for fiscal 2017 and 2018 combined, the Maryland Department of the Environment (MDE) to use up to $60.0 million of revenue bond proceeds and the funds in the Bay Restoration Fund (BRF) for biological nutrient removal (BNR) upgrades of wastewater treatment plants (WWTPs).

Agency: Maryland Department of the Environment

Type of Action: Fund swap

Fiscal Impact:	($ in millions) **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
SF Exp	$0.1	$2.7	$2.7	$6.2	$6.2	$6.2
Rev Bond Exp	$10.9	$49.1	$0	$0	$0	$0
GO Bond Exp	($11.0)	($49.1)	$0	$0	$0	$0

State Effect: Revenue bond expenditures from BRF increase by $10.9 million in fiscal 2017 and $49.1 million in fiscal 2018 to accommodate use of BRF to fund BNR projects. Special fund expenditures from BRF increase by $0.1 million in fiscal 2017 to provide for $89,000 in planned spending for projects previously funded with bond proceeds. Special fund debt service payments are estimated to require $2.7 million in each of fiscal 2018 and 2019 and increase to $6.2 million annually for the remainder of the 15-year amortization period of the bond issuance. MDE has existing authority to issue up to $530.0 million in revenue bonds from BRF, and the planned $60.0 million issuance is within that existing authority.

The $60.0 million in revenue bonds are intended to replace general obligation (GO) bond authorizations of $11.0 million made in the fiscal 2017 capital budget; those GO bonds are deauthorized in the Governor's proposed fiscal 2018 capital budget. The revenue bonds replace another $49.1 million that otherwise would need to be authorized in the Governor's proposed fiscal 2018 capital budget to fund the cash-flow needs of current BNR projects. The Department of Legislative Services assumes that the Governor would have included GO bonds for the BNR program in fiscal 2018 within the $995.0 million debt limit in the absence of this bill. Because the Governor's proposed fiscal 2018 capital budget does not include any GO bond authorizations for the program, however, this action does not reduce GO bond expenditures.

Local Effect: None.

Program Description: Chapter 428 of 2004 established BRF to provide grants to owners of WWTPs to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology. The fund is also used to support septic system upgrades and the planting of cover crops. As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Chapter 150 of 2012 doubled the fee for most users. Statute enumerates several authorized uses of fee revenues, including to provide grants to WWTPs for up to 100.0% of eligible costs of upgrades to the facilities. "Eligible costs" means the additional costs that would be attributable to upgrading a wastewater facility *from BNR to ENR*, as determined by MDE.

Current law does not allow the use of BRF to fund BNR projects. A separate program, the BNR Program, provides 50.0% to 75.0% of the funding for BNR upgrades to WWTPs; the BNR Program has historically been funded with GO bonds.

Senate Bill 343/House Bill 384 of 2017 would permanently expand the eligible uses of BRF to fund BNR technology upgrades at wastewater treatment facilities. For additional background, see the fiscal and policy notes for Senate Bill 343 and House Bill 384.

Recent History: The Budget Reconciliation and Financing Act of 2010 transferred $155.0 million in unexpended funds from BRF to the general fund in fiscal 2010 and redirected $45.0 million in BRF revenue to the general fund in fiscal 2011. The fiscal 2011 capital budget replaced $80.0 million of the funds transferred in fiscal 2010 and $45.0 million from fiscal 2011. The fiscal 2012 capital budget replaced the remaining $75.0 million of prior-year unexpended funds transferred.

The Budget Reconciliation and Financing Act of 2011 transferred $90.0 million from BRF to the general fund in fiscal 2012, including $50.0 million in unexpended funds and $40.0 million in revenues. Although not required, the fiscal 2012 capital budget replaced $50.0 million of the unexpended funds and $21.8 million of the revenues. The fiscal 2013 capital budget replaced the remaining $18.2 million of the revenues.

Location of Provision in the Bill: Section 7 (p. 22)

Analysis prepared by: Andrew Gray and Matthew Klein

Property Tax Assessment Cost Share

Provisions in the Bill: Increase the amount that each county and Baltimore City must reimburse the State Department of Assessments and Taxation (SDAT) for the costs of real property valuation, business personal property valuation, and information technology (IT); and require reimbursement for a portion of the costs of the Office of the Director. In fiscal 2018 only, local jurisdictions must pay 70.0% of these costs. Beginning in fiscal 2019, local jurisdictions must pay 90.0% of these costs.

Agency: State Department of Assessments and Taxation

Type of Action: Cost control; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($10.9)	($20.8)	($21.4)	($22.0)	($22.7)
SF Rev	$0	$10.9	$20.8	$21.4	$22.0	$22.7
SF Exp	$0	$10.9	$20.8	$21.4	$22.0	$22.7

State Effect: General fund expenditures for SDAT decline by $10.9 million in fiscal 2018, with a corresponding increase in special fund revenues and expenditures. The Governor's proposed fiscal 2018 budget includes general fund reductions totaling $10.9 million, contingent on legislation that increases the local share to 70.0%. General fund savings increase to $20.8 million in fiscal 2019 when the local cost share increases to 90.0%.

Local Effect: Expenses for local jurisdictions increase by a total of $10.9 million in fiscal 2018 and $20.8 million in fiscal 2019. Under current law, local units will reimburse SDAT a total of $21.8 million in fiscal 2018. The impact on local expenditures for fiscal 2018 is shown by county in **Appendix C**.

Program Description: SDAT supervises the assessment of all property in the State. Under current law, the State and local units equally share the costs of conducting property tax assessments. Assessments are conducted by SDAT staff, and local governments levy the appropriate tax based on the assessment.

Recent History: Prior to fiscal 2012, all costs associated with property tax assessment were paid by the State. The Budget Reconciliation and Financing Act of 2011 required local units to fund 90.0% of the costs for real property valuation, business personal property valuation, and SDAT IT expenditures for fiscal 2012 and 2013, and 50.0% annually thereafter.

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

Analysis prepared by: Benjamin B. Wilhelm

Maryland Community Health Resources Commission Fund

Provision in the Bill: Authorizes the Maryland Community Health Resources Commission (MCHRC) Fund, beginning in fiscal 2018, to be used for mental health services for the uninsured if no less than $4.0 million of the $8.0 million premium tax exemption subsidy provided by CareFirst is used to fund currently authorized community health resources purposes.

Agency: Department of Health and Mental Hygiene

Type of Action: New use of existing revenues; fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($3.75)	($4.0)	($4.0)	($4.0)	($4.0)

State Effect: Expanding the authorized use of the MCHRC Fund allows special funds to be used in lieu of general funds for mental health services for the uninsured under the Behavioral Health Administration. Thus, general fund expenditures are reduced by approximately $4.0 million annually beginning in fiscal 2018. Special fund revenues and expenditures are not affected. The Governor's proposed fiscal 2018 budget includes a reduction of $3,750,000 in general funds contingent on enactment of legislation reducing the required special fund appropriation for MCHRC, as well as authorization to process a special fund budget amendment of $3,750,000 to replace the general fund reduction.

Local Effect: None.

Program Description: The MCHRC Fund receives a portion of the premium tax exemption subsidy provided by CareFirst. Section 14-106(d)(2)(ii)(2) of the Insurance Article prohibits the subsidy from being less than $8.0 million in fiscal 2014 and each fiscal year thereafter. In fiscal 2014 through 2016, approximately $4.0 million annually was dedicated to Health Enterprise Zone projects. The fund is used primarily to award operating grants to qualifying community health resources.

Recent History: Chapter 328 of 2013 specified that, in fiscal 2014 through 2016 only, the MCHRC Fund could be used for Health Enterprise Zone projects or initiatives if no less than $4.0 million of the $8.0 million premium tax exemption subsidy provided by CareFirst was used to fund currently authorized community health resources purposes.

Location of Provision in the Bill: Section 1 (pp. 14-15)

Analysis prepared by: Jordan D. More

Senior Prescription Drug Assistance Program Fund

Provision in the Bill: Removes the requirement that the use of excess funds from the Senior Prescription Drug Assistance Program (SPDAP) Fund for the Kidney Disease Program (KDP) or community mental health services to the uninsured must be authorized by budget amendment.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($1.1)	$0	$0	$0	$0
SF Exp	$0	$1.1	$0	$0	$0	$0

State Effect: General fund expenditures decline by $1,086,000 in fiscal 2018, while special fund expenditures increase accordingly. The Governor's proposed fiscal 2018 budget includes a $1,086,000 general fund reduction contingent on legislative authorization to use SPDAP revenue for community services. Based on current projections (including use of $1.1 million for community mental health services for the uninsured), SPDAP is projected to have a negative fiscal 2018 closing fund balance of $445,000. However, SPDAP's estimates of program expenditures in fiscal 2017 and 2018 contain significant uncertainty due to implementation of a new subsidy in fiscal 2017.

Local Effect: None.

Program Description: SPDAP 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 fiscal 2017, SPDAP began providing a new subsidy to members in certain Medicare Part D Advantage Plans when those members enter the coverage gap or "donut hole."

Recent History: Various budget reconciliation and financing actions have transferred surplus SPDAP funds to the general fund and expanded uses of the funds. The fiscal 2017 budget included $8.3 million in SPDAP funds for community mental health services for the uninsured (later reduced to $6.1 million based on concerns about available funding). Chapter 321 of 2016 transferred SPDAP from the now defunct Maryland Health Insurance Program to the Department of Health and Mental Hygiene and required that any SPDAP funds used to support KDP or community mental health services must be transferred by budget amendment.

Location of Provision in the Bill: Section 1 (pp. 13-14)

Analysis prepared by: Simon G. Powell

Strategic Demolition and Smart Growth Impact Fund

Provision in the Bill: Authorizes the Governor to use general funds or general obligation (GO) bonds to provide existing mandated appropriations to the Strategic Demolition and Smart Growth Impact Fund in fiscal 2018 and 2019.

Agency: Department of Housing and Community Development

Type of Action: Fund swap

Fiscal Impact:	***($ in millions)*** **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
GF Exp	$0	($25.6)	$0	$0	$0	$0
GO Bonds	$0	$25.6	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $25.6 million in fiscal 2018. The Governor's proposed fiscal 2018 budget includes a $25.6 million general fund reduction contingent on legislation to authorize the use of GO bonds to fund Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise), which is funded by the Strategic Demolition and Smart Growth Impact Fund. As a source of replacement funds, the Governor's proposed fiscal 2018 capital budget includes $25.6 million in GO bonds for this project. The 2017 *Capital Improvement Program* programs $28.5 million in general funds for the fund in fiscal 2019, but under this provision, the source of funding is discretionary and could be provided using either general funds or GO bonds. This analysis assumes general fund expenditures in fiscal 2019 consistent with the Administration's out-year forecast.

Local Effect: None.

Program Description: The Strategic Demolition and Smart Growth Impact Fund provides funding to assist in demolition, land assembly, housing development or redevelopment, and revitalization projects. Funding is used for Project C.O.R.E., an effort to eliminate blight in Baltimore City and other projects statewide.

Recent History: Chapter 30 of 2016 established the Strategic Demolition and Smart Growth Impact Fund as a special fund and mandated appropriations to the fund in fiscal 2018 and 2019. The program had previously existed, with funding exclusively from GO bond proceeds, but was not codified.

Location of Provision in the Bill: Section 1 (pp. 15-16)

Analysis prepared by: Jason A. Kramer

Housing Counseling and Foreclosure Mediation Fund

Provision in the Bill: Authorizes the Department of Housing and Community Development (DHCD) to use up to $1.0 million in funds from the Housing Counseling and Foreclosure Mediation Fund for administrative expenses in fiscal 2018.

Agency: Department of Housing and Community Development; Department of Labor, Licensing, and Regulation (DLLR); Judiciary

Type of Action: New use of existing revenue

Fiscal	*($ in millions)*					
Impact:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
SF Exp	$0	$1.0	$0	$0	$0	$0

State Effect: Special fund expenditures increase by $1.0 million in fiscal 2018. Including an opening balance of $4.2 million and estimated revenues of $4.5 million, a total of $8.7 million will be available in the fund in fiscal 2018. The Governor's proposed fiscal 2018 budget includes $6.4 million in appropriations from the fund ($6.1 million for DHCD, $223,930 for the Judiciary, and $58,545 for DLLR). Reflecting use of $1.0 million for administrative expenses, the fund is projected to have a fiscal 2018 closing balance of $1.3 million. No general fund savings are identified in the Governor's proposed fiscal 2018 budget from this action.

Local Effect: None.

Program Description: Revenue to the fund is generated by servicer foreclosure filing fees and borrower foreclosure mediation request fees. The fund can only be used for foreclosure prevention and mediation programs and housing counseling programs and administrative expenses related to those programs at DHCD, DLLR, the Judiciary, and the Office of Administrative Hearings.

Recent History: The Budget Reconciliation and Financing Act of 2015 authorized DHCD to use up to $2.4 million in funds from the fund for administrative expenses in fiscal 2016.

Location of Provision in the Bill: Section 6 (p. 22)

Analysis prepared by: Eric F. Pierce

Rate Increases for Providers with Rates Set by the Interagency Rates Committee

Provision in the Bill: Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee (IRC) to no more than 2.0% over the rates in effect on June 30, 2017.

Agencies: Department of Human Resources; Department of Juvenile Services

Type of Action: Cost control

State Effect: Limiting rates set by IRC to no more than 2.0% over the fiscal 2017 rates results in no savings in fiscal 2018. The Governor's proposed fiscal 2018 budget provides funding for a 2.0% increase for providers whose rates are set by IRC. Rates for fiscal 2018 have not yet been finalized but, under this provision, cannot increase by more than 2.0%.

Program Description: IRC establishes rates for residential or nonresidential child care programs licensed or approved by the Maryland State Department of Education (MSDE), the Department of Health and Mental Hygiene (DHMH), the Department of Human Resources (DHR), or the Department of Juvenile Services (DJS), including nonpublic general education schools operated in conjunction with a residential or nonresidential child care program. IRC includes representatives from the Department of Budget and Management, DHMH, DHR, DJS, MSDE, and the Governor's Office for Children.

Recent History: Budget reconciliation legislation in 2009 through 2011 froze rates set by IRC for three consecutive years. Budget reconciliation legislation in 2012, 2013, and 2014 limited rate increases to 1.0%, 2.5%, and 1.5%, respectively. The Budget Reconciliation and Financing Act of 2015 froze fiscal 2016 rates at the fiscal 2015 level.

Location of Provision in the Bill: Section 3 (p. 22)

Analysis prepared by: Jennifer B. Chasse

Appendix B
($ in Dollars)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GENERAL FUND REVENUES						
Revenue Stabilization Account (Rainy Day Fund)	170,000,000	0	0	0	0	0
Volkswagen Clean Diesel Settlement	12,000,000	0	0	0	0	0
Maryland Correctional Enterprises Revolving Fund	0	2,500,000	0	0	0	0
Division of Racing	1,000,000	1,000,000	1,000,000	0	0	0
TOTAL GENERAL FUND REVENUES	**183,000,000**	**3,500,000**	**1,000,000**	**0**	**0**	**0**
SPECIAL FUND REVENUES						
Medicaid Deficit Assessment	0	25,000,000	0	0	0	0
Property Tax Assessment Cost Share	0	10,862,707	20,776,707	21,381,114	22,006,070	22,652,274
Supplemental Pensions Contribution (Sweeper)	0	(55,714,098)	0	4,000,000	4,100,000	4,200,000
TOTAL SPECIAL FUND REVENUES	**0**	**(19,851,391)**	**20,776,707**	**25,381,114**	**26,106,070**	**26,852,274**
FEDERAL FUND REVENUES						
Rate Increase for Community Service Providers	0	(7,011,659)	(7,242,883)	(7,383,522)	(7,526,974)	(7,673,295)
Limiting Mandate Growth	0	0	(-)	(-)	(-)	(-)
TOTAL FEDERAL FUND REVENUES	**0**	**(7,011,659)**	**(7,242,883)**	**(7,383,522)**	**(7,526,974)**	**(7,673,295)**

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GENERAL FUND EXPENDITURES						
Mandate Relief						
Supplemental Pension Contribution (Sweeper)	0	(50,000,000)	0	3,360,000	3,444,000	3,528,000
Revenue Stabilization Account (Rainy Day Fund)	0	(40,000,000)	0	0	0	0
Strategic Demolition and Smart Growth Impact Fund	0	(25,625,000)	0	0	0	0
Medicaid Deficit Assessment	0	(25,000,000)	0	0	0	0
Prince George's Regional Medical System	0	(15,000,000)	0	10,000,000	10,000,000	2,500,000
Baltimore Regional Neighborhood Initiative Program	0	(12,000,000)	(12,000,000)	(12,000,000)	(12,000,000)	(12,000,000)
Rate Increase for Community Service Providers	0	(8,444,522)	(8,738,808)	(8,917,803)	(9,100,378)	(9,286,604)
Local Income Tax Disparity Grant	0	(8,443,550)	(4,848,256)	0	0	0
Public School Opportunities Enhancement Program	0	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)	0
Joseph A. Sellinger Program for Independent Colleges and Universities	0	(6,574,208)	0	0	0	0
Teacher Induction, Retention, and Advancement Pilot Program	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Next Generation Scholars of Maryland Program	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Seed Community Development Anchor Institution Fund	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
University System of Maryland Enhanced Funding Guideline Attainment	0	(4,000,000)	(8,000,000)	(12,000,000)	(16,000,000)	(16,000,000)
Teacher Stipends	0	(3,000,000)	(3,000,000)	(1,100,000)	(1,100,000)	(1,100,000)
Enoch Pratt Free Library	0	(3,000,000)	(3,000,000)	(3,250,000)	(3,250,000)	(3,250,000)
Shelter and Transitional Housing Facilities Grant Program	0	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Next Generation Farmland Acquisition Program	0	(2,500,000)	2,500,000	0	0	0
Core Public Health Services Funding Formula	0	(747,276)	(765,211)	(788,167)	(813,389)	(840,231)
State Aid for Police Protection	0	(465,142)	0	0	0	0
Robotics Grant Program	0	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Maryland Center for Construction Education and Innovation	0	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Limiting Mandate Growth	0	0	(42,713,056)	(99,516,971)	(223,920,968)	(297,159,165)
Subtotal – Mandate Relief	***0***	***(230,799,698)***	***(106,565,331)***	***(150,212,941)***	***(278,740,735)***	***(352,108,000)***
Fund Swaps and Cost Shifts						
Property Tax Assessment Cost Share	0	(10,862,707)	(20,776,707)	(21,381,114)	(22,006,070)	(22,652,274)
Division of Racing	0	(2,505,378)	(2,505,378)	(2,505,378)	(2,505,378)	(2,505,378)
Senior Prescription Drug Assistance Program Fund	0	(1,086,000)	0	0	0	0
Maryland Community Health Resources Commission Fund	0	(3,750,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Subtotal – Fund Swaps and Cost Shifts	***0***	***(18,204,085)***	***(27,282,085)***	***(27,886,492)***	***(28,511,448)***	***(29,157,652)***
TOTAL GENERAL FUND EXPENDITURES	**0**	**(249,003,783)**	**(133,847,416)**	**(178,099,433)**	**(307,252,183)**	**(381,265,652)**

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SPECIAL FUND EXPENDITURES						
Supplemental Pensions Contribution (Sweeper)	0	(3,635,189)	0	320,000	328,000	336,000
Limiting Mandate Growth	0	0	(36,336,496)	(45,700,125)	(58,313,765)	(69,985,553)
Housing Counselor and Foreclosure Mediation Fund	0	1,000,000	0	0	0	0
Senior Prescription Drug Assistance Program Fund	0	1,086,000	0	0	0	0
Division of Racing						
Lottery Revenues						
Preakness Stakes Bonus Award Program	(500,000)	0	0	0	0	0
Maryland International Purse	0	(500,000)	(500,000)	0	0	0
Incentive Grants for Youth and Amateur Sporting Events	0	(350,000)	(350,000)	0	0	0
Maryland Humanities Council Grant	0	(150,000)	(150,000)	0	0	0
Purse Dedication Account						
Administrative Expenses for the Division of Racing	0	2,505,378	2,505,378	2,505,378	2,505,378	2,505,378
Preakness Stakes Bonus Award Program	500,000	0	0	0	0	0
Maryland International Purse	0	500,000	500,000	0	0	0
Funds Available for Thoroughbread/Standardbred Industry	(500,000)	(3,005,378)	(3,005,378)	(2,505,378)	(2,505,378)	(2,505,378)
Use of Bay Restoration Fund for Biological Nutrient Removal	89,000	2,700,000	2,700,000	6,195,000	6,197,725	6,198,250
Property Tax Assessment Cost Share	0	10,862,707	20,776,707	21,381,114	22,006,070	22,652,274
Medicaid Deficit Assessment	0	25,000,000	0	0	0	0
TOTAL SPECIAL FUND EXPENDITURES	**(411,000)**	**36,013,518**	**(13,859,789)**	**(17,804,011)**	**(29,781,970)**	**(40,799,029)**

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FEDERAL FUND EXPENDITURES						
Rate Increase for Community Service Providers	0	(7,011,659)	(7,242,883)	(7,383,522)	(7,526,974)	(7,673,295)
Supplemental Pensions Contribution (Sweeper)	0	(2,078,909)	0	320,000	328,000	336,000
Limiting Mandate Growth	0	0	(8,801,033)	(10,757,118)	(14,870,254)	(16,939,541)
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(9,090,568)**	**(16,043,916)**	**(17,820,640)**	**(22,069,228)**	**(24,276,836)**
OTHER FUNDS EXPENDITURES						
Bay Restoration Fund for Biological Nutrient Removal (Rev Bonds)	10,911,000	49,089,000	0	0	0	0
Bay Restoration Fund for Biological Nutrient Removal (GO Bonds)	(11,000,000)	(49,089,000)	0	0	0	0
Strategic Demolition and Smart Growth Impact Fund (GO Bonds)	0	25,625,000	0	0	0	0
Shelter and Transitional Housing Facilities Grant Program (GO Bonds)	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Baltimore Regional Neighborhood Initiative Program Fund (GO Bonds)	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
TOTAL OTHER FUNDS EXPENDITURES	**(89,000)**	**31,625,000**	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**

Appendix C
Impact on Local Jurisdictions of Selected Provisions of HB 152/SB 172 of 2017
Fiscal 2018
($ in Dollars)

County	Public Schools/ Library Aid[1,2]	Core Public Health Formula	State Aid for Police Protection[3]	Local Income Tax Disparity Grants	Retirement Aid	Total Aid Reductions	Property Tax Assessment Cost Share[4]	Total Impact
Allegany		($21,261)	$8,591	$0	($403,706)	($416,376)	($191,982)	($608,358)
Anne Arundel	(1,900,000)	(62,979)	(65,984)	0	(3,224,776)	(5,253,739)	(1,025,264)	(6,279,004)
Baltimore City	(3,000,000)	(124,100)	0	(946,445)	(3,218,325)	(7,288,870)	(1,102,653)	(8,391,523)
Baltimore		(81,859)	(59,522)	0	(4,477,261)	(4,618,642)	(1,414,875)	(6,033,517)
Calvert		(9,099)	(1,555)	0	(660,718)	(671,372)	(194,244)	(865,616)
Caroline		(10,960)	(351)	0	(222,967)	(234,278)	(76,729)	(311,007)
Carroll		(25,174)	742	0	(979,198)	(1,003,630)	(310,728)	(1,314,358)
Cecil		(16,969)	(1,225)	(196,240)	(647,796)	(862,230)	(221,314)	(1,083,544)
Charles		(21,941)	(12,447)	0	(1,095,466)	(1,129,854)	(315,902)	(1,445,756)
Dorchester		(9,377)	(2,117)	0	(190,184)	(201,678)	(101,867)	(303,544)
Frederick		(30,702)	(3,525)	0	(1,609,693)	(1,643,920)	(420,294)	(2,064,214)
Garrett		(9,654)	3,654	0	(166,339)	(172,339)	(136,398)	(308,737)
Harford		(34,860)	1,111	0	(1,397,527)	(1,431,276)	(466,714)	(1,897,990)
Howard		(26,179)	(46,140)	0	(2,839,611)	(2,911,930)	(525,756)	(3,437,686)
Kent		(8,245)	(1,642)	0	(84,933)	(94,820)	(59,157)	(153,977)
Montgomery		(59,910)	(142,670)	0	(7,817,371)	(8,019,951)	(1,614,853)	(9,634,804)
Prince George’s		(95,674)	(140,793)	(6,061,769)	(5,579,689)	(11,877,925)	(1,371,379)	(13,249,303)
Queen Anne’s		(8,680)	(724)	0	(303,908)	(313,312)	(113,855)	(427,167)
St. Mary’s		(16,078)	(8,731)	0	(655,042)	(679,851)	(225,525)	(905,376)
Somerset		(8,736)	(1,138)	(114,083)	(131,595)	(255,551)	(77,000)	(332,552)

County	Public Schools/ Library Aid[1,2]	Core Public Health Formula	State Aid for Police Protection[3]	Local Income Tax Disparity Grants	Retirement Aid	Total Aid Reductions	Property Tax Assessment Cost Share[4]	Total Impact
Talbot		(7,339)	2,645	0	(175,592)	(180,286)	(93,225)	(273,511)
Washington		(27,135)	(350)	(52,938)	(861,382)	(941,805)	(281,429)	(1,223,234)
Wicomico		(19,738)	(11,737)	(1,072,075)	(607,472)	(1,711,022)	(217,648)	(1,928,670)
Worchester		(10,627)	18,766	0	(342,925)	(334,786)	(303,916)	(638,703)
Unallocated	(18,850,000)					(18,850,000)		(18,850,000)
Total	**($23,750,000)**	**($747,276)**	**($465,142)**	**($8,443,550)**	**($37,693,475)**	**($71,099,442)**	**($10,862,707)**	**($81,962,150)**

[1]Public Schools reductions for Teacher Development programs (a pilot program and teacher stipends available statewide, totaling $6.1 million), the Public School Opportunities Enhancement Program ($7.5 million), Next Generation Scholars ($5.0 million), and Robotics ($250,000) are unallocated; another $1.9 million for the Anne Arundel County Public Schools stipend program is reflected as a reduction for Anne Arundel County.
[2]Library Aid reflects repeal of a $3.0 million grant to Baltimore City for Enoch Pratt Free Library.
[3]Statewide level-funding the Police Aid Formula results in increases in police aid for some counties.
[4]Reflects additional expenditures for local jurisdictions from the increased cost share.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2017

BILL NUMBER: HB152/SB172

PREPARED BY: GLO
(Dept./Agency/GLO)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

_____ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS