
**Budget Reconciliation and Financing Act
of 2010
(SB 141/HB 151)**

**Budget Summary, Provisions, and
Recommendations**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Budget Summary

Fiscal 2010 and 2011

(\$ in Millions)

General Fund

	<u>Admin. Proposal</u>	<u>Before BRFA Action</u>
<u>Fiscal 2010</u>		
Ending Balance Before Legislative Action	-\$509.9	-\$509.9
Revenues -- Legislation -- SB 141 (BRFA)	59.3	0.0
Fund Transfers/Swap – Legislation – SB 141 (BRFA)	381.2	0.0
Capital Transfers -- Legislation -- SB 141 (BRFA)	330.1	0.0
Adjusted Ending Balance	\$260.7	-\$509.9
<u>Fiscal 2011</u>		
Revenues – December BRE Estimate	\$12,671.7	\$12,671.7
Other Revenues	11.8	11.8
Revenues – Legislation – BRFA/HEIF/Jobs Tax Credit	-19.6	0.0
Fund Transfers – 2009 Legislation – HB 101 (BRFA)	124.4	124.4
Fund Transfers – Legislation – SB 141 (BRFA)	277.2	0.0
Capital Transfers -- Legislation -- SB 141 (BRFA)	111.7	0.0
Total Revenues and Balance	\$13,437.9	\$12,298.0
Expenditures – Before Federal ARRA Offsets	\$14,972.3	\$14,972.3
Higher Medicaid Match/Discretionary Funds (ARRA)	-853.6	-853.6
ARRA Funds for Education Formula Increases	<u>-422.3</u>	<u>-422.3</u>
Expenditures – Governor’s Allowance	13,696.4	13,696.4
Expenditure Reductions – Contingent on SB 141 (BRFA)	-463.3	0.0
Expenditure Reductions – Contingent on Other Legislation	-56.6	0.0
Total Expenditures	\$13,176.5	\$13,696.4
Revenues Less Expenditures	\$261.5	-1,398.3
Ending Balance	\$261.5	-\$1,398.3
<u>Cash Position</u>		
General Fund Balance	\$261.5	-\$1,398.3
Rainy Day Fund Balance – June 30, 2011	633.5	633.5
Total	\$895.0	-\$764.8
Cash and Rainy Day Fund Over 5%	\$261.5	-\$1,398.3

ARRA: American Recovery and Reinvestment Act
BRE: Board of Revenue Estimates
BRFA: Budget Reconciliation and Financing Act

Budget Reconciliation and Financing Act of 2010

(SB 141/HB 151)

Mandate Relief

- Soil Conservation Districts – repeals mandate for 110 field personnel and sets funding level at \$9.2 million for fiscal 2011 and 2012, \$9.6 million in fiscal 2013, and \$10.0 million in fiscal 2014 and thereafter (bill page 5; for more detail, see Fiscal and Policy Note (FPN) page 88)

- Maryland Tourism Development Board – sets funding at \$5.0 million for fiscal 2011 and 2012 and at \$6.0 million in fiscal 2013 and thereafter (bill page 9; FPN page 90)
 - Maryland Tourism Development Board – set funding at \$2.6 million for fiscal 2011 and 2012 and defer the earmark for Destination Marketing Organizations until fiscal 2013 (for more detail, see Alternative and Additional Recommendations, Department of Legislative Services (DLS) page 1)

- Maryland Agricultural and Resource-Based Industry Development Corporation – sets funding for fiscal 2011 and 2012 at \$850,000, increasing to reach \$4.0 million by fiscal 2015 (bill page 9; FPN page 87)

- Student Transportation Grants – for fiscal 2011, limits inflationary increase in base grant to 1.0% and reduces the minimum annual inflation adjustment from 3 to 1% (bill pages 9-10; FPN page 84)

- Cade Formula for Community College Aid – sets funding at \$194.4 million for fiscal 2011 and 2012 and adjusts to formula to reach 29.0% of public university per-student funding in fiscal 2016 (bill pages 10-12; FPN page 77)
 - Cade Formula – set funding at \$194.4 million for fiscal 2011 and 2012 and set percentage of public university per-student funding at 20.0% for fiscal 2013 and thereafter (DLS page 2)

- Sellinger Formula for Nonpublic Institutions of Higher Education – sets funding at \$30.0 million for fiscal 2011 and 2012 and adjusts formula to reach 15.5% of public university per-student funding in fiscal 2017 (bill pages 12-13; FPN page 79)
 - Sellinger Formula – set funding at 7.6% of public university per-student funding in 2012 and thereafter (DLS page 3)

- Local Health Grants – sets funding at \$37.3 million for fiscal 2011 and 2012; sets out county-by-county distribution; and establishes this amount as new base, subject to inflationary increase, thereafter (bill pages 14-16; FPN page 85)
- Tobacco Prevention and Cessation Programs – sets funding at \$6.0 million beginning in fiscal 2011 (bill page 16; FPN page 67)
- Statewide Academic Health Centers – sets funding at \$2.4 million in fiscal 2011 and 2012 and at \$9.9 million in fiscal 2013 and thereafter (bill page 17; FPN page 67)
- Women, Infants, and Children Program – repeals minimum general fund appropriation of \$250,000 (bill page 17; FPN page 86)
- Maryland State Arts Council – sets funding at \$13.3 million for fiscal 2011 and 2012 with inflationary increases resuming in fiscal 2013; repeals funding requirement established in the Budget Reconciliation and Financing Act (BRFA) of 2009 (bill pages 21, 41; FPN page 91)
 - Maryland State Arts Council – set funding at \$10.2 million for fiscal 2011 and 2012 and allow inflationary increases to resume in fiscal 2013 (DLS page 7)
- InterCounty Connector – revises State contribution to require \$126.9 million in fiscal 2011 and \$30.0 million in fiscal 2012 (bill pages 24-25; FPN page 93)
 - InterCounty Connector – revises State contribution to provide \$81.9 million in fiscal 2011 and \$75.0 million in fiscal 2012 (DLS page 13)
- Private Career School Student Grant Program – repeals in its entirety (bill page 25; FPN page 81)
- State Aid for Police Protection – sets funding at \$45.4 million for fiscal 2011 and 2012, with provision that each subdivision and municipality is held harmless at the fiscal 2010 funding level (bill page 31; FPN page 82)
- Distinguished Scholar Program – eliminates new awards in fiscal 2011, while honoring all existing scholarship awards (bill page 33; FPN page 80)
- Human Resources (Personnel) Management System – reduces the amount to be charged to State agencies to begin the implementation of this system in fiscal 2011 (bill pages 40-41; FPN page 89)
- General Mandate Relief – except for specified education formulas, employee retirement, and reserve fund payments, the Governor is not required to provide more funds in fiscal 2012 than provided in fiscal 2011 (bill pages 33, 41; FPN page 95)

- Appropriation to the Rainy Day Fund – for fiscal 2011 and 2012, suspends the requirement of the automatic sweeper into the Rainy Day Fund if it is determined that such an appropriation would result in the loss of federal funds under the American Recovery and Reinvestment Act of 2009 or any other federal law (bill page 40; FPN page 96)

General and Special Fund Revenue Actions

- Authorizes the transfer in fiscal 2010 of \$350.0 million from the Local Income Tax Reserve Account to the Education Trust Fund; provides that the Local Income Tax Reserve Account will be repaid by the State at \$50.0 million annually, from fiscal 2014 to 2020 (bill pages 22, 39 ; FPN page 69)
 - Authorize the transfer of \$350.0 million from the Local Income Tax Reserve Account to the general fund, not the Education Trust Fund (DLS page 9)
- Authorizes a fee of \$2.00 to be charged by the State or a unit of local government for the attachment of wages (bill page 5; FPN page 76)
- Directs all proceeds of the Moving Violation surcharge to the general fund for fiscal 2010 to 2012 instead of the Voluntary Company Assistance Fund and the State Helicopter Replacement Fund (bill page 8; FPN page 57)
- Directs a portion of the corporate income tax to the general fund instead of the Transportation Trust Fund and the Higher Education Investment Fund (bill page 32; FPN page 53)
- Directs revenues to the general fund instead of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund: in fiscal 2010, an additional \$8.0 million from the short-term vehicle rental tax (total of \$21.1 million); for fiscal 2011, \$5.0 million from the motor fuel tax and \$17.1 million from the short-term vehicle rental tax (bill pages 23, 24; FPN page 55)
 - In addition to the provision as introduced, direct \$10.0 million to the general fund: \$5.9 million from the short-term vehicle rental tax and \$4.1 million from the motor fuel tax (DLS page 11)
- Directs all revenue from the application of the admissions and amusement tax to electronic bingo and tip jars to the general fund in fiscal 2010, and for fiscal 2011, directs \$1.0 million to the Special Fund for the Preservation of Cultural Arts in Maryland and the balance to the general fund (bill pages 21-22; FPN page 56)
 - Defer dedication of funds for the Special Fund for the Preservation of Cultural Arts in Maryland until 2012 (DLS page 8)

- Increases the nursing home quality assessment from 2 to 4%, and provides that at least 65% of the revenue is to be used to supplement Medicaid nursing home reimbursements and an unspecified portion shall be used for an incentive program (bill pages 17-18, 40; FPN page 66)
 - Increase nursing home quality assessment to 5%, specifying a 3% reimbursement rate increase for Medicaid days (DLS page 4)
- Directs income derived from commissions, rebates, refunds, rate reductions, settlements, or telecommunication bypass agreements resulting from information technology services or purchases to the general fund instead of the Major Information Technology Development Fund; applies to revenue received from May 1, 2010, through June 30, 2012 (bill page 32; FPN page 60)
- Directs interest earnings on special fund accounts to the general fund; 53 specific special funds are exempted (bill pages 33-36; FPN page 54)
- Repeals the Maryland Mined Coal Tax Credit (bill page 25; FPN page 58)
- Transfers \$159.5 million from the Highway User Revenues to the general fund in fiscal 2010 and allocates the remaining \$140.5 million distribution among the counties, municipalities, and Baltimore City. In fiscal 2011 and 2012, provides for the transfer of \$340.3 million to the general fund and the distribution of the remaining \$140.5 million to the counties, municipalities, and Baltimore City (bill pages 36-38; FPN page 9)
 - Highway User Revenues – reduce Baltimore City share by \$30 million and redistribute to counties and municipalities; allocate local share of highway user revenues based on percentages and share of statewide mileage and registration totals (DLS page 27)

New or Expanded Uses of Existing Revenues

- Department of Natural Resources – repeals restrictive use of a portion of hunting license fees (bill page 25; FPN page 75)
- Department of the Environment – authorizes the use of the Oil Disaster Containment, Clean-Up, and Contingency Fund for water pollution control programs, including administrative expenses (bill pages 13-14; FPN page 73)
- Authorizes, beginning in fiscal 2011, that the payment in lieu of premium taxes paid by a nonprofit health service plan will subsidize the Kidney Disease Program, in addition to the Community Health Resources Commission (\$3.0 million) and the Senior Prescription Drug Assistance Program (bill pages 18-20; FPN page 64)

- Authorizes that \$15.0 million of the balance available in the Senior Prescription Drug Assistance Program may be transferred to the Kidney Disease Program (\$10.5 million in fiscal 2010 and \$1.5 million in fiscal 2011) and the Medical Assistance Program (\$3.0 million in fiscal 2010) (bill page 32; FPN page 64)
 - Increase transfer to the Medical Assistance program to \$5.0 million in fiscal 2010 (DLS page 23)
- Authorizes that \$5.0 million from the revenue derived from the 9-1-1 fee on wired lines may be used to support the computer aided dispatch/records management system of the Maryland State Police (bill page 31; FPN page 72)
 - DLS is recommending a technical amendment to authorize the transfer of funds from the Emergency Number Systems Board to the Department of Information Technology
- Authorizes that \$1.0 million from the Universal Service Trust Fund may be used to support the operating expenses of the Maryland School for the Deaf (bill page 33; FPN page 74)
 - Authorize the use of \$2.0 million from the Universal Service Trust Fund to support the operating expenses of the Maryland School for the Deaf (DLS page 25)

State Personnel Actions

- Prohibits State employees from receiving bonuses, merit increases, or cost-of-living adjustments in fiscal 2011, except as necessary for the retention of faculty at public four-year higher education institutions (bill page 38; FPN page 97)
- Suspends the requirement that the State provide an employer match to employee contributions in the supplemental retirement plan for fiscal 2011 (bill page 38; FPN page 83)
- Clarifies the authority of the Governor to implement temporary salary reductions as well as furloughs by executive order in fiscal 2011 or in any year when appropriations are reduced by the Board of Public Works because of a projected deficit; applies retroactively to January 20, 2010 (bill pages 39,41; FPN page 98)
- Establishes that overtime payments in fiscal 2010 and 2011 shall be based on salary schedules in effect on July 1, 2009 (bill page 39; FPN page 98)

Transfers to the General Fund

	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
Highway User Revenue	\$159,502,391	\$340,255,990
Bay Restoration Fund	155,000,000	45,000,000
University System of Maryland	85,051,173	51,731,321
Heritage Structure Rehabilitation Tax Credit Reserve Fund	39,693,790	
Circuit Court Real Property Records Improvement Fund	25,000,000	
Injured Workers' Insurance Fund	20,000,000	
Waterway Improvement Fund	13,509,450	3,934,000
Injured Workers' Insurance Fund (State Liability Reserve)	6,000,000	
State Insurance Trust Fund	5,221,332	
Neighborhood Business Development Fund	3,628,687	3,200,000
Ocean Beach Replenishment Fund (Local)	3,401,000	
Charter Unit Fund (State Department of Assessments and Taxation)	3,000,000	
Oil Disaster Containment, Clean-Up, and Contingency Fund	2,200,000	
Special Loan Programs Fund (Department of Housing and Community Development)	2,176,565	2,500,000
Insurance Regulation Fund	2,000,000	
Vehicle Theft Prevention Fund	1,824,924	
Community Health Resources Commission Fund	1,800,000	
Morgan State University	1,664,227	790,574
Spinal Cord Injury Research Trust Fund	1,559,000	500,000
Land Trust Grant Fund	1,500,000	
Oil Contaminated Site Environmental Cleanup Fund	1,200,000	
State Used Tire Cleanup and Recycling Fund	1,100,000	
Tidal Wetlands Compensation Fund	1,000,000	
Cash Management Improvement Fund	733,339	
Horse Racing Special Fund	602,800	
Board of Physicians Fund	527,619	1,000,000
Central Collection Fund	500,000	
Maryland Correctional Enterprises Revolving Fund	500,000	
Injured Workers' Insurance Fund (State Administrative Costs)	500,000	
Maryland Health Care Commission Fund	472,026	
Community Legacy Financial Assistance Fund	449,373	
Board of Nursing Fund	305,549	

	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
Shore Erosion Control Construction Loan Fund	305,481	
Maryland Clean Air Fund	300,000	
St. Mary's College of Maryland	204,368	204,368
State Chemist Reserve Account	150,000	
State Radiation Control Fund	150,000	
State Board of Pharmacy Fund	98,544	200,000
Baltimore City Community College	96,541	822,287
Homeownership Programs Fund	92,040	3,000,000
Rental Housing Programs Fund	87,758	
Partnership Rental Housing Fund	87,758	
State Board of Dental Examiners Fund	73,530	
State Board of Social Work Examiners Fund	52,097	
State Board of Chiropractic and Massage Therapy Examiners Fund	36,128	
State Board of Examiners of Psychologists Fund	23,718	50,000
State Board of Professional Counselors and Therapists Fund	22,013	50,000
State Board of Physical Therapy Examiners Fund	17,567	
State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech Language Pathologists Fund	13,698	
State Board of Occupational Therapy Practice Fund	11,923	
State Board of Examiners in Optometry Fund	9,837	
State Acupuncture Board Fund	9,666	
State Board of Morticians and Funeral Directors Fund	9,566	
State Board of Podiatric Medical Examiners Fund	7,283	
Kidney Disease Fund	4,092	
State Board of Dietetic Practice Fund	3,738	

- Fund Balance Transfers (bill pages 25-29, 30-31; FPN pages 9-51)
 - Fund Balance Transfers – increase fiscal 2011 transfer from University System of Maryland to \$55,532,294; from Morgan State University to \$1,051,307; and from Baltimore City Community College to \$2,511,748 (DLS pages 15, 19, 21)
 - DLS is recommending against the provision pertaining to the transfer from the Heritage Structure Rehabilitation Tax Credit Reserve Fund (DLS page 16)
 - DLS is recommending against the \$20 million transfer from the Injured Workers' Insurance Fund and the \$500,000 transfer of the State's administrative costs held by the Injured Workers' Insurance Fund (DLS pages 18 and 20)

- DLS is recommending a correction in the transfers (as agreed by the Administration) by reducing the transfer from the Oil Disaster Containment, Clean-Up and Contingency Fund to \$1,000,000 and adding a transfer of \$1,200,000 from the Oil Reserve Fund
- Authorizes the transfer of any special fund savings realized as a result of the fiscal 2011 employee furlough; applies retroactively (bill pages 39, 41; FPN page 52)

Program Open Space

- Authorizes the following transfers from revenue generated by the transfer tax to the general fund in fiscal 2010:

Program Open Space – Local Share	\$103,113,000
Program Open Space – Capital Development	22,700,000
Rural Legacy Program	10,635,000
Maryland Agricultural Land Preservation Foundation	10,000,000
Program Open Space (POS) – State Land Acquisition	9,026,496*
POS Capital Development – Ocean City Beach Replenishment (State)	2,058,000

* This is the sum of the transfers listed in Sections 12 and 21.

(bill pages 29, 32; FPN page 61)

- Authorizes transfer of \$54,038,405 in transfer tax revenues in fiscal 2011 contingent on legislation authorizing general obligation debt totaling \$54,305,000, allocated as follows:

Program Open Space – State Land Acquisition	\$13,082,000
Program Open Space – Local Share	12,352,000
Rural Legacy Program	12,637,000
Program Open Space – Capital Improvements	4,150,000
Maryland Agricultural Land Preservation Foundation	11,814,000

(bill page 31; FPN page 61)

- DLS is recommending a technical amendment to correct the amount of general obligation bonds to be provided to read “\$54,035,000”

Other Provisions

- Authorizes that in fiscal 2011, the Aging Schools Program may be funded with general obligation bonds (bill page 31; FPN page 71)
 - Aging Schools Program – set funding at \$6.1 million in general funds for fiscal 2012 and thereafter; for fiscal 2011, modify Section 15 to authorize funding by general obligation or Qualified Zone Academy Bonds (DLS page 22)
- Comptroller – repeals requirement to publish list of unclaimed property and establishes provision for an electronic database (bill pages 6-8; FPN page 59)
- Comptroller – suspends requirement that the Statistics of Income Report and Tax Incidence Study be prepared and submitted for tax years 2008, 2009, and 2010 (bill page 32; FPN page 92)
 - DLS is recommending against this provision (DLS page 24)
- Prohibits, for fiscal 2011, the payment of rates in excess of those in effect on January 20, 2010, to group homes and nonpublic placements (bill pages 31-32; FPN page 99)
- Repeals the requirement that the balance in the Central Collection Fund in excess of 10% of operating expenses of the Central Collection Unit be automatically transferred to the general fund (bill pages 20-21; FPN page 50)
 - DLS is recommending against this provision (DLS page 6)

Additional Recommendations to SB 141/HB 151

Mandate Relief

- Baltimore City Grant – repeal miscellaneous grant adopted in the Special Session of 2007 (DLS page 29)
- Disparity Grants – modify provision enacted in Chapter 487 of 2009 to provide that the cap on the total appropriation be the controlling factor, rather than the grant to any one jurisdiction; this also requires that the cap be set at a level lower than the current \$121.4 million (DLS page 30)
- Fisheries Service – repeal mandate that requires the Governor to include \$1,794,000 in the budget annually (DLS page 40)
- Department of Public Safety and Correctional Services – modify statute to provide for one, not two, Deputy Secretary positions (DLS page 47)
- Community Adult Rehabilitation Centers – repeal requirement that the State fund start-up, acquisition, construction, and renovation costs for these centers as well as operating costs in excess of available federal funds and inmate contributions (DLS page 51)
- Share the State Fair! – repeal in its entirety (DLS page 53)
- Aid to Education – reduce funding by approximately \$60 million by either reducing the State’s contribution to teacher retirement or removing the statutory minimums in the formulas for at-risk students (DLS page 54)
- Library Aid – set the per capita payments for the county library grants, regional resource centers, and State Library Resource Center at the fiscal 2011 level for fiscal 2012 and every year thereafter (DLS page 56)
- Baltimore City Community College – set funding at 63.8% of public four-year per student funding for fiscal 2012 and every year thereafter (DLS page 57)
- SEED School of Maryland – limit the incoming class for fall 2010 to 56 students and reduce general funds by \$600,000 (DLS page 59)

General Fund Revenue Actions

- Chesapeake and Atlantic Coastal Bays 2010 Trust Fund – in fiscal 2010, transfer \$5 million from the balance of the fund to the general fund (DLS page 35)
- Transportation Trust Fund Revenues – cap the share of the sales tax revenue credited to the Transportation Trust Fund at the current level of 5.3% permanently (DLS page 36)
- Mental Hygiene Administration Grants – for fiscal 2010 through 2012, provide that unexpended funds provided as grants to the Core Service Agencies revert to the general fund (DLS page 42)
- Cigarette Restitution Fund Programs – reduce fiscal 2010 funding to agriculture and nonpublic student textbook programs to provide funds in lieu of general funds for Medicaid (DLS page 44)
- Horse Racing Revenues – reduce funds to local jurisdictions (impact aid), delete grants for State and county agricultural fairs, and transfer \$2,062,800 to the general fund (DLS page 45)

Actions Related to Special Fund Revenues

- Land Records Improvement Fund – remove sunset to authorize the fund to be used for information technology projects permanently (DLS page 31)
- Strategic Energy Investment Fund – continue the allocation of funds enacted in Chapter 487 of 2009 into fiscal 2012 (DLS page 33)
- 9-1-1 Fee – assess the fee on a per-line, instead of a per-bill, basis (DLS page 48)
- Department of the Environment – authorize the expenditure from special funds to support operating, administrative, and overhead costs in the department (DLS page 58)

Other Provisions

- Budget Transparency – require that across-the-board reductions presented in the annual budget bill be specified by financial agency code (DLS page 32)

- Distribution of Gasoline and Motor Vehicle Revenue Account (GMVRA) – beginning in fiscal 2013, direct 19% of GMVRA revenues to the general fund, 71.5% to the Transportation Trust Fund, and 9.5% for distribution to Baltimore City, counties, and municipalities (DLS page 37)
- Maryland Environmental Trust – repeal provisions related to the trust and transfer its responsibilities and easements held in its name to the Department of Natural Resources (DLS page 38)
- Funding for Medicaid – in the event that enhanced federal matching funds are not provided beyond December 30, 2010, up to \$389 million from the Local Income Tax Reserve account is authorized to be transferred to the general fund for use in the Medicaid program; repayment to the reserve account would be at \$64.8 million annually beginning in 2021 (DLS page 43)
- Public Safety Death Benefits – require that an application for benefits be filed within three years of death (DLS page 49)