
**Budget Reconciliation and Financing Act
of 2012
(SB 152/HB 87)**

**Budget Summary, Provisions, and
Recommendations**

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

February/March 2012

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Budget Summary

Fiscal 2012 and 2013

(\$ in Millions)

General Fund

	<u>Admin. Proposal</u>	<u>Before BRFA</u>
<u>Fiscal 2012</u>		
Ending Balance Before Legislative Action	\$286.5	\$286.5
Fund Transfers – Legislation – BRFA	2.8	0.0
Adjusted Ending Balance	\$289.3	\$286.5
<u>Fiscal 2013</u>		
Revenues – December BRE Estimate	\$14,423.0	\$14,423.0
Other Revenues	83.1	83.1
Revenues – Legislation – BRFA	238.7	0.0
Fund Transfers – Legislation – BRFA	51.8	0.0
Capital Transfers – Legislation – BRFA	99.5	0.0
Transfer from Rainy Day Fund	315.0	315.0
Total Revenues and Balance	\$15,500.3	\$15,107.5
Expenditures – Governor’s Allowance	\$15,692.2	\$15,692.2
Expenditure Reductions – Contingent on BRFA	-367.6	0.0
Total Expenditures	\$15,324.7	\$15,692.2
Ending Balance (Revenues Less Expenditures)	\$175.7	-\$584.7

Cash Position

General Fund Balance	\$175.7	-\$584.7
Rainy Day Fund Balance – June 30, 2013	721.4	721.4
Total	\$897.1	\$136.7
Cash and Rainy Day Fund Over 5%	\$175.9	-\$584.5

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

Budget Reconciliation and Financing Act of 2012

(SB 152/HB 87)

Mandate Relief

- Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) – sets funding at \$2.75 million through fiscal 2014 and at \$4.0 million for fiscal 2015 through 2020 (bill pages 7-8; for more detail, see Fiscal and Policy Note (FPN) page 79)
- Aging Schools Program – sets funding by county at the fiscal 2011 level for fiscal 2013 and thereafter (bill pages 9-10; FPN page 90)
- Cade Formula for Community College Funding – sets total funding and allocation by county for fiscal 2013 at \$199.2 million; establishes that funding will be \$1,839.43 per full-time equivalent student for fiscal 2014 through 2017; beginning in fiscal 2018, funding is calculated as a percentage of public four-year per student funding, increasing annually to reach 29% in fiscal 2023 (bill pages 10-13; FPN page 81)
- Baltimore City Community College – sets total funding for fiscal 2013 at \$39.9 million; establishes that funding will be \$5,695.90 per full-time equivalent student for fiscal 2014 through 2017; beginning in fiscal 2018, funding is calculated as a percentage of public four-year per student funding, increasing annually to reach 68.5% in fiscal 2023 (bill pages 13-15; FPN page 76)
- Sellinger Formula for Aid to Nonpublic Institutions of Higher Education – sets total funding for fiscal 2013 at \$38.4 million; establishes that funding will be \$875.53 per full-time equivalent student for fiscal 2014 through 2017; beginning in fiscal 2018, funding is calculated as a percentage of public four-year per student funding, increasing annually to reach 15.5% in fiscal 2021 (bill pages 15-17; FPN page 77)
 - Sellinger Formula – the Department of Legislative Services (DLS) recommends maintaining per student funding at \$875.53 permanently (for more detail, see Alternative and Additional Recommendations, DLS page 1)
- Teacher Pension Costs – provides that the State and county governments will share in the costs of teacher retirement by establishing a 50/50 split of the combined employer contributions for the pension system and Social Security (bill pages 25-29, 47-48; FPN page 54)
- General Mandate Relief – except for specified education formulas, employee retirement, reserve fund payments, and provisions within this Act, the Governor is not required to

provide more funds in fiscal 2013 through 2017 than appropriated in fiscal 2012 (bill pages 46-47; FPN page 74)

- General Mandate Relief – DLS recommends striking this provision (DLS page 2)

General and Special Fund Revenue Actions

- Vital Records Fees – increases the fee from \$12 to \$24 for the first copy of a certified death certificate; for fetal death, marriage, and birth resulting in stillbirth; and to process an adoption (bill page 18-19; FPN page 47)
- Adult and Elderly Day Care Facility Assessment – authorizes an assessment not to exceed 5.5% of total operating revenue to day care centers for the elderly and adults (bill page 21; FPN page 64)
 - Adult and Elderly Day Care Facility Assessment – DLS recommends authorizing an assessment of 6.0% (DLS page 3)
- Nursing Facility Quality Assessment – increases the assessment from 5.5 to 6.0% of nursing facility operating revenue (bill page 23; FPN page 60)
- Lottery Agent Commissions – permanently sets the commission paid to lottery agents at 5.0% of gross receipts from ticket sales (bill page 24; FPN page 36)
- Office of Administrative Hearings – raises the fee for an appeal of a driver’s license suspension or revocation from \$125 to \$150 (bill page 25; FPN page 25)
- Personal Income Tax Exemptions – reduces the personal exemption for individual taxpayers with income over \$100,000 from \$2,400 to \$1,200 and eliminates it for those with income over \$125,000; for married-filing-jointly taxpayers with income over \$150,000 the exemption is reduced from \$2,400 to \$1,200, and the exemption is eliminated for joint filers with income over \$175,000 (bill page 31; FPN page 28)
- Personal Income Tax Itemized Deductions – reduces the total amount of itemized deductions by 10% for taxpayers with income over \$100,000 and by 20% for taxpayers with income over \$200,000 (bill page 32; FPN page 26)
- Chesapeake Bay 2010 Trust Fund – for fiscal 2013 through 2016, specifies that a portion of the motor fuel tax that would otherwise go to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is directed to the general fund, increasing the fiscal 2013 amount by \$8 million over current law (bill pages 32-33; FPN page 51)

- Digital Products – expands the application of the sales and use tax to digital products (bill pages 33-42; FPN page 39)
- Remote Sellers – expands the application of the sales and use tax to taxable sales and services where the seller has an agreement with a resident of the State to refer potential customers to the seller (bill pages 42-43; FPN page 30)
- Tobacco Tax – increases from 15 to 70% the tax on all tobacco products other than cigarettes (bill page 43; FPN page 34)
- Maryland-mined Coal Tax Credit – repeals credit effective January 1, 2012 (bill page 44; FPN page 42)
- Telecommunications Tax Credit – repeals the provision that allows telecommunication companies to claim a credit based on a portion of property taxes (bill page 44; FPN page 37)
- Sales and Use Tax – repeals exemptions to the sales and use tax for gas cylinder demurrage, the resale of manufactured homes, and precious metal coins and bullion (bill page 44; FPN pages 43, 45, and 48)

New or Expanded Uses of Existing Revenues

- Community Right-to-Know Fund – modifies the authorized uses of the fund to include emergency response activities in the Department of the Environment (bill pages 17-18; FPN page 100)
- State Recycling Trust Fund – modifies the authorized uses of the fund to include land management administration in the Department of the Environment (bill page 18; FPN page 102)
- Maryland Heritage Areas Authority – for fiscal 2013, authorizes that, of the Program Open Space funds already transferred to the authority, an additional \$1,150,000 of that transferred amount may be used to support operating expenses in the Department of Planning (bill page 18; FPN page 69)
- Authorizes that payments in lieu of premium tax paid by a nonprofit health service plan may be used by the Department of Health and Mental Hygiene to provide mental health services to the uninsured (bill pages 23-24; FPN page 58)
- Maryland Health Insurance Plan – authorizes that the MHIP Fund may be used by the Department of Health and Mental Hygiene to provide mental health services to the uninsured (bill page 24; FPN page 58)

- Speed Camera Revenues – directs a portion of the revenue from speed cameras to the Department of State Police for roadside enforcement activities (bill page 30; FPN page 62)

Transfers to the General Fund

	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>
Helicopter Replacement Fund	\$1,000,000	
Baltimore City Community College	1,800,000	
Maryland Correctional Enterprises Revolving Fund		\$500,000
Spinal Cord Injury Research Trust Fund		500,000
State Board of Occupational Therapy Practice		241,036
State Insurance Trust Fund		206,000
Maryland Not-For-Profit Development Center Program Fund		111,063
State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists		96,350
State Board of Podiatric Medical Examiners		79,356
Division of State Documents Special Fund		50,000
State Board of Morticians and Funeral Directors		9,788
Waterway Improvement Fund*		2,611,000
Transfer Tax – Program Open Space*		96,870,649
Injured Workers’ Insurance Fund		50,000,000

*Denotes pay-as-you-go (PAYGO) capital programs for which general obligation bonds may be used instead of special funds.

- Fund balance transfers (bill pages 44-46; FPN pages 8-24)
 - DLS recommends that the transfer from the Injured Workers’ Insurance Fund be contingent on enactment of SB 745 or HB 1017 (DLS page 5)

Transfers for Specific Purposes

- From the balance in the Senior Prescription Drug Assistance Program, \$5 million to the Medicaid Kidney Disease Program in fiscal 2013 (bill pages 30-31; FPN page 66)
- From the Small, Minority, Women-Owned Business Account established with the revenues from the video lottery terminal program, \$1.9 million to the Education Trust Fund in fiscal 2012 (bill page 46; FPN page 67)
 - DLS recommends increasing the transfer to \$3.95 million (DLS page 6)
- From the Fair Campaign Financing Fund, \$413,000 to the State Board of Elections for the operations and maintenance expenses of a new online campaign finance system (bill page 46; FPN page 71)

Cost Control and Miscellaneous Provisions

- Repeals the requirement that the Comptroller publish, in newspapers of general circulation, notice of abandoned property; authorizes the establishment of an electronic database with access via an Internet website (bill pages 5-7; FPN page 50)
- Requires local boards of education to budget the costs to satisfy any final court judgments; prohibits the county government from reducing funds in the school budget dedicated to satisfying a final court judgment; and that, if it becomes necessary for the State to make payment, the amount will be deducted from State education aid due to that board of education (bill pages 8-9, 25; FPN page 73)
- Creates the Developmental Disabilities Trust Fund as a special, non-lapsing fund, consisting of unspent general funds and other appropriations (bill pages 19-20; FPN page 99)
 - DLS recommends striking this provision (DLS page 8)
- Repeals the requirement that Medicaid pay a nursing facility for days when a program recipient is hospitalized (bill pages 21-22; FPN page 85)
- Authorizes the Health Services Cost Review Commission to establish an alternative method for financing, as part of hospital rates, the costs of Disproportionate Share Hospital payments (bill pages 22-23; FPN page 83)
- Repeals that requirement that county governments repay \$36.7 million annually, from fiscal 2013 to 2022, to replenish the Local Income Tax Reserve Account (bill pages 29-30; FPN page 97)

- Delays until September 2016 the requirement that the Geographic Cost of Education Index be updated (bill page 30; FPN page 88)
- Repeals the requirement that local boards of education reimburse the State Retirement Agency for the employer share of retirement contributions for federally funded positions (bill page 44; FPN page 95)
- Indemnity Mortgages – expands the application of the recordation tax to include indemnity mortgages (bill page 44; FPN page 91)
- Limits, for fiscal 2013, the increase in rates paid to group homes and nonpublic placements to 1% over the rates in effect on January 19, 2011 (bill page 47; FPN pages 86 and 87)
- Requires the Health Services Cost Review Commission to approve remittances of \$9.1 million to support the Medicaid program; remittances may be reduced by the savings to the State Medicaid expenditures from other changes to hospital rates or policies (bill page 47; FPN page 83)

Additional Recommendations to SB 152/HB 87

General and Special Fund Revenue Actions

- Disciplinary Fund – establish, within the Judiciary, a special fund to account for the fees currently collected from attorneys to support the activities of the Attorney Grievance Commission (DLS page 9)
- BWI Fire and Rescue Department – require the Maryland Aviation Administration to levy a fee on ambulance transports conducted by the BWI Fire and Rescue Department (DLS page 10)
- BWI Fire and Rescue Department – require the Maryland Aviation Administration and Anne Arundel County to establish a cost-sharing mechanism to reimburse the BWI Fire and Rescue Department for mutual aid calls (DLS page 11)
- Rural Access Incentive Payments – require a Managed Care Organization with a statewide Medicaid enrollment of 10% or more to be open for enrollment in every jurisdiction of the State or pay a remittance to the Medicaid program for Rural Access Incentive payments (DLS page 13)

New or Expanded Uses of Existing Revenues

- Moving Violation Surcharge – clarify the requirements for the distribution of revenues to the Volunteer Company Assistance Fund and add a distribution to support the Maryland State Firemen’s Association (DLS page 14)
- Soil Conservation District Personnel – authorize an allocation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to fund soil conservation district personnel in the Department of Agriculture (DLS page 16)

Transfers for Specific Purposes

- Senior Prescription Drug Assistance Program – \$4.5 million in fiscal 2013 to Medicaid (DLS page 17)
- Problem Gaming Account – \$950,000 in fiscal 2013 to the Education Trust Fund (DLS page 18)

- Maryland Energy Administration – \$4.0 million from the Administrative Account of the Strategic Energy Investment Fund to the Office of Home Energy Programs for energy assistance (DLS page 19)

Cost Control and Miscellaneous Provisions

- Disparity Grant – modify the provisions of the cap to recognize additional eligible jurisdictions and repeal the miscellaneous Baltimore City grant contingent on the enactment of teacher pension cost-sharing (DLS page 21)
- National Mortgage Settlement Funds – require that funds be appropriated through the annual budget bill and that, in fiscal 2014, funds are appropriated to the Dedicated Purpose Account (DLS page 23)
- Targeted Local Health Grants – for fiscal 2014, require that the fiscal 2013 base used for the calculation not include the general fund reductions made in the fiscal 2013 budget (DLS page 24)
- Repeal the Office of Smart Growth in the Department of Planning (DLS page 25)
- Medicaid value-based purchasing incentives – authorize that the cap on disincentive payments made by managed care organizations may be increased from 0.5 to 1.0% effective for calendar 2012 (DLS page 26)
- Exelon-Constellation Merger Settlement Funds – require that funds be appropriated through the annual budget bill (DLS page 27)