

**House Appropriations Committee
and
House Ways and Means Committee**

Report on

Senate Bill 150 – the Budget Bill

**Senate Bill 152 – the Budget Reconciliation and
Financing Act**

Senate Bill 523 – State and Local Revenue Act

and

Senate Bill 848 – Maintenance of Effort

**Maryland General Assembly
Annapolis, Maryland**

March 21, 2012

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Fiscal 2013 Budget Proposal
Budget Bill (SB 150), Budget Reconciliation and Financing
Act (SB 152), and State and Local Revenue Act (SB 523)
As Amended by the House Appropriations Committee
And the House Ways and Means Committee

1. **Prudently Balances the Budget While Funding Core Public Services** – Through a balanced approach relying on spending constraint and new revenues, the structural gap between revenues and spending is reduced by \$553 million, or 50%, without significantly impacting vital public services. As the sharing of teachers’ pension costs is phased in, the structural gap is closed by 58%.
2. **Continues to Constrain Spending** – General fund expenditure growth in fiscal 2013, excluding the appropriation to the rainy day reserve fund, is less than 1.0%. This is less than the 2.8% underlying growth in general fund revenues forecasted for fiscal 2013. Reductions from current services estimates total over \$550 million.
3. **Maintains 5% of General Fund Revenues in Rainy Day Fund** – The proposed budget actions result in a general fund balance of about \$87 million. In addition, the balance in the State’s Rainy Day Fund is estimated to be \$721 million, or 5%, of general fund revenues at the end of fiscal 2013.
4. **Maintains the State’s Commitment to the Public Schools** – Total State support for the public schools will be over \$5.8 billion. Distributions to local school systems will increase an estimated \$113.2 million, or 2.3%.
5. **Protects Investments in Higher Education** – Maryland’s State colleges and universities receive about \$1.2 billion in State funds, essentially level with fiscal 2012. This funding will enable the institutions to hold in-state undergraduate tuition increases to 3% for the third consecutive year. Aid for community colleges rises \$8.5 million, or 3.2%.

- 6. Sustains Healthcare Programs for Low-income Marylanders –** The fiscal 2013 budget includes \$7 billion for the Medicaid program. The budget begins the process of reforming the structure of long-term care service delivery by adding more community-based care in the Older Adults and Living at Home waivers and expanding personal care services. It also strengthens the provider network as the State prepares for the expansion of Medicaid in January 2014 by providing for a variety of provider rate increases.
- 7. Recognizes Efforts of State Workforce –** For the first time since 2009, the budget includes funds for a modest 2% cost-of-living increase for State employees.
- 8. Raises Revenue through Targeted Changes to Income Tax –** Additional income tax revenues to maintain vital government services will result from changes to the graduated rate structure of the personal income tax that apply to taxpayers with higher incomes. In addition, there is an accelerated phase-out of personal exemptions for higher income taxpayers.
- 9. Shares Responsibility for Teachers’ Pensions with Public Schools –** The State will retain responsibility for the costs of the unfunded pension liabilities associated with employees of the local boards of education. The school boards will gradually assume over three years the responsibility for the “normal” or current pension costs of their workforce. Counties will be required to increase their appropriations to the school boards to offset these new costs.
- 10. Enhances County Revenues –** Although counties will be required to provide the school boards additional funding for teachers’ pension costs, they will benefit from actions which will increase local income and recordation taxes and eliminate the requirement that a previous transfer from the local income tax reserve be repaid. In addition, low wealth counties will receive a new targeted grant to help them fund teachers’ pension costs.

Budget Summary
Fiscal 2012 and 2013
(\$ in Millions)

	<u>Admin.</u> <u>Proposal</u>	<u>Senate</u>	<u>APP/</u> <u>W&M</u>
<u>General Fund</u>			
<u>Fiscal 2012</u>			
Ending Balance Before Legislative Action	\$206.4	\$206.4	\$206.4
Revenues – Legislation – SB 523	0.0	0.0	0.0
Fund Transfers – Legislation – BRFA	2.8	2.8	2.8
Expenditure Reduction – Deficiency Appropriations	0.0	63.9	64.9
Adjusted Ending Balance	\$209.2	\$273.2	\$274.2
<u>Fiscal 2013</u>			
Revenues – March BRE Estimate	\$14,372.3	\$14,372.3	\$14,372.3
Other Revenues	83.1	81.5	83.1
Revenues – Legislation – BRFA	238.7	-19.8	17.5
Revenues – Legislation – SB 523	0.0	501.3	227.7
Revenues – Other Legislation	0.0	0.0	11.1
Fund Transfers – Legislation – BRFA	51.8	51.7	60.3
Capital Transfers – Legislation – BRFA	99.5	96.9	96.9
Transfer from Rainy Day Fund	315.0	315.0	315.0
Total Revenues and Balance	\$15,369.5	\$15,672.0	\$15,458.0
Expenditures – Governor's Allowance	\$15,692.2	\$15,697.2	\$15,697.2
Expenditure Reductions – Teachers Retirement – BRFA	-239.3	-68.3	-136.6
Expenditure Reductions – Other Contingent – BRFA	-128.2	-26.2	-29.5
Expenditure Reductions	0.0	-160.0	-165.5
Additional Expenditures – SB 523/BRFA	\$0.0	30.0	5.0
Total Expenditures	\$15,324.7	\$15,472.7	\$15,370.6
Ending Balance (Revenues Less Expenditures)	\$44.8	\$199.3	\$87.5
<u>Cash Position</u>			
General Fund Balance	\$44.8	\$199.3	\$87.5
Rainy Day Fund Balance – June 30, 2013	721.4	721.4	721.4
Total	\$766.2	\$920.7	\$808.9
Cash and Rainy Day Fund Over 5%	\$45.0	\$199.5	\$87.7

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

Spending Affordability Analysis
House Appropriations Committee
(\$ in Millions)

Target	
Estimated Structural Gap (December 2011)	\$1,105
50% Target Reduction	553
Revenues	\$14,697
Income Tax: Limit Personal Exemptions	-61
Federal Payroll Tax Cut Extension	-39
Other One-time Items	-28
Subtotal	\$14,568
Spending	\$15,366
CHIPRA Bonus in Medicaid	28
One-time Reductions	61
Local Management Board Fund Swap: Earned Reinvestment	7
Rainy Day Fund	-340
Pay-as-you-go Capital	-1
Subtotal	\$15,120
Structural Reductions from Baseline Spending	\$553
Percent of Structural Deficit Reduction	50%
Value of Full Phase-in of Teachers' Retirement Shift	\$86
% of Structural Deficit Reduction with Full Phase-in of Retirement	58%

CHIPRA: Children's Health Insurance Program Reauthorization Act

Proposed Budget Reductions
Senate Bill 152
Fiscal 2013 Budget and Fiscal 2012 Deficiency Appropriations
(\$ in Millions)

General Funds

<u>Local Aid</u>	<u>Senate</u>	<u>APP</u>	<u>Diff.</u>
Level Fund Police Aid Formula	\$21.4	\$21.4	\$0.0
Level Fund Local Health Formula	1.9	1.9	0.0
C Education Aid – Redirect Unspent Fiscal 2012 VLT Funds to Education Trust Fund ⁽¹⁾	0.0	2.8	2.8
C Share Teachers' Retirement Costs	68.3	136.6	68.3
Community College Formula Grant	1.5	1.5	0.0
Keeping Community Colleges Affordable Grant	2.5	0.0	-2.5
	\$95.6	\$164.2	\$68.6
<u>Medicaid</u>			
Reduce Funds for Fiscal 2012 Deficiency – Revised Estimate and Other Funds Available	\$63.9	\$63.9	\$0.0
Limit Physician Rate Increases to Primary Care Physicians	0.0	16.0	16.0
Reduce Rates for Managed Care Organizations by 1%	15.7	15.7	0.0
Decrease Tobacco Cessation/Academic Centers Support from CRF and Fund Medicaid	11.3	14.7	3.4
Lower Estimate of Growth in Hospital Inpatient and Outpatient Costs	14.0	0.0	-14.0
C Increase Nursing Home Facility Assessment – Save Medicaid General Funds	6.9	6.9	0.0
Eliminate Funding for Early Takeover of Medicaid Info System and Fiscal Agent Operations	6.1	6.1	0.0
Funding for Managed Care Organizations' Rural Incentive Payments	6.0	0.0	-6.0
C Fund Kidney Disease Program/Medicaid with Nonprofit Health Plan/SPDAP Revenues	11.1	11.1	0.0
Maryland Children's Health Program – Fiscal 2012 Funds Available	2.2	2.2	0.0
C Eliminate Payments to Nursing Homes for Reserving Beds for Hospitalized Patients	0.0	1.3	1.3
Other Medicaid Reductions	2.1	2.5	0.4
	\$139.3	\$140.3	\$1.0
<u>Higher Education</u>			
University System of Maryland – Funding for One-time Bonus Costs Not Required in Fiscal 2013	\$5.3	\$11.6	\$6.3
Morgan State University – Funding for One-time Bonus Costs Not Required in Fiscal 2013	0.4	0.7	0.4
C More Higher Education Investment Funds Available – Corporate Income Tax	0.6	0.2	-0.4
Baltimore City Community College	1.9	1.9	0.0
Baltimore International College No Longer Eligible for Seller Aid for Private Colleges	0.0	0.4	0.4
C Level Fund Seller Aid for Private Higher Education Institutions	1.3	1.3	0.0
	\$9.6	\$16.3	\$6.7
<u>State Agencies</u>			
Less Judiciary Operating Expenditures	\$2.5	\$5.0	\$2.5
Delete New Positions/Reduce Mediation and Conflict Resolution Grants – Judiciary	0.2	0.6	0.4
Less Funding for Postage and Supplies – Judiciary	0.7	0.7	0.0
Scale Back Funding for 700 MHz Radios	1.1	1.1	0.0
Reduce Funding for CARES Major Information Technology Project	3.4	3.4	0.0
C Elections – Use Fair Campaign Finance Funds for New Campaign Finance System	0.4	0.0	-0.4
Reduce New Funds for Safe Kids Initiative	0.4	0.1	-0.3
C Shift Speed Camera Revenues from State Highway Administration to State Police	4.2	4.2	0.0
C Use Nonprofit Health Plan Revenues for Mental Health Community Services	6.2	6.2	0.0
No Funding for Beds at Private Psychiatric Hospitals – Mental Hygiene Administration	2.1	1.0	-1.1
Grant to MARBIDCO – Level Fund	0.3	0.0	-0.3
Level Fund Tourism Development Board	1.0	0.0	-1.0
Scale Back Monies for War of 1812 Celebration	0.0	2.0	2.0
Other Reductions	1.1	1.1	0.0
	\$23.6	\$25.4	\$1.8

Grants/Tax Credits

Level Fund Maryland State Arts Council	\$0.3	\$0.3	\$0.3
	\$0.3	\$0.3	\$0.3

State Reserve Fund

Repayment of Transfer Tax That Was Transferred to General Fund in Fiscal 2006	\$50.0	\$50.0	\$0.0
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Total General Funds

\$318.4	\$396.5	\$78.1
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Reductions Also Incorporated in the Governor's Budget Proposal

\$185.4	\$259.4	
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Total Reductions Proposed in Addition to the Governor's Proposal

\$133.1	\$137.1	\$4.1
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Special Funds

	<u>Senate</u>	<u>APP</u>	<u>Diff</u>
C Reduce Funds for Advertising Abandoned Property – Increase General Fund Revenues	\$0.5	\$0.0	-\$0.5
Eliminate Funding Associated with Internet Sales of Lottery Games	0.7	0.0	-0.7
Budget for Horse Racing Purses Does Not Reflect Lower VLT Revenue Estimates	3.8	3.8	0.0
Reduce Funding for Horse Racing Impact Aid Based on Projected Revenues	0.9	1.3	0.4
Electricity Costs – State Highway Administration	1.9	1.9	0.0
Decrease Tobacco Cessation/Academic Health Centers Support from Cigarette Restitution Fund	11.3	14.7	3.4
C Reduce Funding for Chesapeake and Atlantic Coast Bays Trust Fund	8.0	8.0	0.0
Other Reductions	0.7	0.7	0.0
	\$27.7	\$30.2	2.6
<u>Pay-as-you-go</u>			
C Reduce Funds for Open Space, Rural Legacy, and Agricultural Land Preservation – Use Bonds	\$65.5	\$65.5	\$0.0
Less Funding for Jane E. Lawton Conservation Loan Program	0.8	0.8	0.0
	\$66.3	\$66.3	\$0.0
Total Special Funds	\$93.9	\$96.5	\$2.6

C: These Items Are Contingent on Passage of the Budget Reconciliation and Financing Act (SB 152).

⁽¹⁾ Portion of video lottery proceeds distributed to the Small, Minority, and Women-Owned Business Investment Account and the Problem Gambling Account.

CARES: Client Automated Resource and Eligibility System

CRF: Cigarette Restitution Fund

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

SPDAP: Senior Prescription Drug Assistance Program

VLT: Video Lottery Terminal

State Expenditures – General Funds
(\$ in Millions)

Category	Work. Appr. FY 2012	Allowance FY 2013	APP Reductions	APP	FY 2012 to FY 2013	
				Approp. FY 2013	\$ Change	% Change
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n/a
County/Municipal	186.6	230.2	16.4	213.8	27.2	14.6%
Community Colleges	263.3	273.3	1.5	271.8	8.5	3.2%
Education/Libraries	5,595.4	5,755.6	139.5	5,616.1	20.8	0.4%
Health	38.3	39.2	1.9	37.3	-1.0	-2.6%
Aid to Local Governments	\$6,083.5	\$6,298.3	\$159.2	\$6,139.0	\$55.5	0.9%
Foster Care Payments	237.7	235.7	0.0	235.7	-2.0	-0.9%
Assistance Payments	87.8	81.7	0.0	81.7	-6.1	-6.9%
Medical Assistance	2,551.8	2,584.2	76.4	2,507.8	-43.9	-1.7%
Property Tax Credits	81.8	82.0	0.0	82.0	0.1	0.2%
Entitlements	\$2,959.2	\$2,983.7	\$76.4	\$2,907.3	-\$51.9	-1.8%
Health	1,454.5	1,475.8	7.6	1,468.1	13.6	0.9%
Human Resources	276.5	275.9	0.0	275.9	-0.6	-0.2%
Systems Reform Initiative	26.1	16.9	0.0	16.9	-9.2	-35.1%
Juvenile Services	263.6	263.5	0.0	263.5	-0.1	0.0%
Public Safety/Police	1,269.1	1,302.0	4.2	1,297.8	28.7	2.3%
Higher Education	1,133.9	1,154.7	14.5	1,140.2	6.3	0.6%
Other Education	381.4	351.4	1.8	349.6	-31.8	-8.3%
Agric./Nat'l. Res./Environment	102.2	102.1	0.0	102.1	-0.1	-0.1%
Other Executive Agencies	534.9	634.0	6.6	627.4	92.5	17.3%
Legislative	76.8	78.5	0.0	78.5	1.7	2.2%
Judiciary	374.6	392.4	6.3	386.1	11.5	3.1%
State Agencies	\$5,893.6	\$6,047.1	\$41.0	\$6,006.2	\$112.5	1.9%
Total Operating	\$14,936.3	\$15,329.1	\$276.6	\$15,052.4	\$116.1	0.8%
Capital ⁽¹⁾	54.5	7.7	0.0	7.7	-46.8	-85.9%
Reversions	-30.0	-30.0	0.0	-30.0	0.0	0.0%
Appropriations	\$14,960.8	\$15,306.8	\$276.6	\$15,030.1	\$69.3	0.5%
Reserve Funds	15.0	390.5	50.0	340.5	325.5	2169.7%
Grand Total	\$14,975.8	\$15,697.2	\$326.6	\$15,370.6	\$394.8	2.6%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2012 working appropriation includes deficiencies, targeted reversions, and House Appropriations Committee reductions to the deficiencies. The fiscal 2013 reductions include \$165.9 million contingent on the Budget Reconciliation and Financing Act (SB 152), \$0.2 million contingent on State and Local Revenue and Financing Act of 2012 (SB 523), and \$5 million of additional spending for teacher retirement supplemental grants to county governments that is specified in SB 152 but is not appropriated. The additional \$5 million would need to be appropriated via a supplemental budget.

State Expenditures – All Funds
(\$ in Millions)

<u>Category</u>	<u>Work. Appr.</u> <u>FY 2012</u>	<u>Allowance</u> <u>FY 2013</u>	<u>APP</u> <u>Reductions</u>	<u>APP</u>		
				<u>Approp.</u> <u>FY 2013</u>	<u>FY 2012 to FY 2013</u> <u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,067.4	\$1,113.5	\$0.0	\$1,113.5	\$46.1	4.3%
County/Municipal	449.3	525.2	31.2	494.0	44.6	9.9%
Community Colleges	264.1	273.9	1.5	272.5	8.4	3.2%
Education/Libraries	6,485.0	6,819.8	136.6	6,683.1	198.1	3.1%
Health	42.8	43.7	1.9	41.8	-1.0	-2.3%
Aid to Local Governments	\$7,241.1	\$7,662.6	\$171.2	\$7,491.3	\$250.2	3.5%
Foster Care Payments	324.1	316.4	0.0	316.4	-7.7	-2.4%
Assistance Payments	1,397.3	1,243.0	0.0	1,243.0	-154.3	-11.0%
Medical Assistance	6,969.2	7,130.9	104.1	7,026.9	57.6	0.8%
Property Tax Credits	81.8	82.0	0.0	82.0	0.1	0.2%
Entitlements	\$8,772.4	\$8,772.3	\$104.1	\$8,668.2	-\$104.2	-1.2%
Health	3,044.7	3,142.0	16.4	3,125.6	80.9	2.7%
Human Resources	901.8	911.0	0.8	910.2	8.5	0.9%
Systems Reform Initiative	26.1	16.9	0.0	16.9	-9.2	-35.1%
Juvenile Services	274.4	274.5	0.0	274.5	0.1	0.0%
Public Safety/Police	1,515.5	1,543.7	0.0	1,543.7	28.2	1.9%
Higher Education	5,012.2	5,140.7	14.3	5,126.5	114.3	2.3%
Other Education	710.9	652.8	2.0	650.8	-60.0	-8.4%
Transportation	1,567.5	1,602.1	1.9	1,600.2	32.7	2.1%
Agric./Nat'l. Res./Environment	385.1	391.4	8.0	383.4	-1.7	-0.5%
Other Executive Agencies	1,764.3	1,832.6	10.6	1,822.0	57.7	3.3%
Legislative	76.9	78.5	0.0	78.5	1.6	2.1%
Judiciary	431.0	452.2	6.4	445.9	14.9	3.5%
State Agencies	\$15,710.5	\$16,038.7	\$60.3	\$15,978.3	\$267.8	1.7%
Total Operating	\$32,791.5	\$33,587.0	\$335.7	\$33,251.4	\$459.9	1.4%
Capital ⁽¹⁾	1,930.1	2,276.2	52.7	2,223.5	293.4	15.2%
Reversions	-30.0	-30.0	0.0	-30.0	0.0	0.0%
Appropriations	\$34,691.6	\$35,833.3	\$388.3	\$35,444.9	\$753.3	2.2%
Reserve Funds	15.0	390.5	50.0	340.5	325.5	2169.7%
Grand Total	\$34,706.6	\$36,223.7	\$438.3	\$35,785.4	\$1,078.8	3.1%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2012 working appropriation includes deficiencies, targeted reversions, and House Appropriations Committee reductions to the deficiencies. The fiscal 2013 reductions include \$240.6 million contingent on the Budget Reconciliation and Financing Act (SB 152), \$0.2 million contingent on State and Local Revenue and Financing Act of 2012 (SB 523), \$46.2 million in additional special fund spending due to funding swaps, and \$5 million of additional general fund spending for teacher retirement supplemental grants to county governments that is specified in SB 152 but is not appropriated. The additional \$5 million would need to be appropriated via a supplemental budget.

Fiscal Note

Summary of the Budget Bill – Senate Bill 150

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Education Funds</u>	<u>Total Funds</u>
Governor's Allowance					
Fiscal 2012 Budget	\$15,040,713,009	\$6,544,124,381	\$9,437,921,197	\$3,812,660,171	\$34,835,418,758 ⁽¹⁾
Fiscal 2013 Budget	15,697,220,337	7,254,467,259	9,342,921,799	3,929,128,287	36,223,737,682 ⁽²⁾
Budget Reconciliation and Financing Act of 2012					
Fiscal 2012 Deficiencies	\$0	\$0	\$0	\$0	\$0
Fiscal 2013 Contingent Reductions	-161,132,848 ^{(3) (5)}	-46,609,392 ^{(4) (5)}	-1,250,000	0	-208,992,240
Subtotal	-\$161,132,848	-\$46,609,392	-\$1,250,000	\$0	-\$208,992,240
House Appropriations Committee Reductions					
Fiscal 2012 Deficiencies	-\$64,910,000	\$0	-\$63,910,000	\$0	-\$128,820,000
Fiscal 2013 Budget	-165,504,816	-3,706,433 ⁽⁴⁾	-60,144,199	0	-229,355,448
Total Reductions	-\$230,414,816	-\$3,706,433	-\$124,054,199	\$0	-\$358,175,448
Appropriations					
Fiscal 2012 Budget	\$14,975,803,009	\$6,544,124,381	\$9,374,011,197	\$3,812,660,171	\$34,706,598,758
Fiscal 2013 Budget	15,370,582,673	7,204,151,434	9,281,527,600	3,929,128,287	35,785,389,994
Change	\$394,779,664	\$660,027,053	-\$92,483,597	\$116,468,116	\$1,078,791,236

⁽¹⁾ Reflects \$325.7 million in proposed deficiencies, including \$296.7 million in general funds, -\$11.7 million in special funds, \$40.5 million in federal funds, and \$150,000 in current unrestricted funds. Reversion assumptions total \$37.1 million, including \$30.0 million in unspecified reversions and \$7.1 million in targeted reversions.

⁽²⁾ Reflects estimated general fund reversions of \$30.0 million.

⁽³⁾ Includes \$5.0 million general fund offset for a Teacher's Retirement Supplemental grant, as authorized in Senate Bill 152.

⁽⁴⁾ Includes \$46.2 million in special funds that will be added back to the budget by budget amendment to replace general fund reductions.

⁽⁵⁾ Includes a \$246,160 reduction contingent on Senate Bill 523 as part of the House Appropriations Committee's budget balancing plan. These funds will be added back to the budget by special fund budget amendment to replace the general fund reduction.

House Appropriations and Ways and Means Committees Action on the Budget Reconciliation and Financing Act of 2012 (SB 152)

The Budget Reconciliation and Financing Act of 2012, as amended¹ by the House Appropriations and Ways and Means committees, accomplishes the following for the general fund:

Fiscal 2012 Fund Transfers	\$ 2.8 million
Fiscal 2013 Fund Transfers	157.2 million
Fiscal 2013 Revenues*	17.5 million
Fiscal 2013 Contingent Reductions and Fund Swaps	166.1 million
Fiscal 2013 Additional Expenditures	-5.0 million
Total Budgetary Action	\$338.6 million

Amend.
No.

* Revenue measures totaling \$238.8 million are in SB 523, HB 346, and HB 1166

BWI Fire and Rescue Department – to recognize the costs of mutual aid calls by the department, this provision exempts State-owned parking lots and garages from the sales and use tax imposed by Anne Arundel County (Committee Reprint, page 9)

2

Strikes a provision that would repeal the requirement that the Comptroller publish notice of abandoned property in newspapers of general circulation (pages 10-12)

3

Moving Violation Surcharge – clarifies the requirements for the distribution of revenues to the Volunteer Company Assistance Fund and adds a distribution to support the Maryland State Firemen’s Association (pages 12-13)

Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) – strikes a provision that would have set funding at \$2.75 million through fiscal 2014 and at \$4.0 million for fiscal 2015 through 2020 (page 13)

4

Aging Schools Program – sets funding by county at the fiscal 2011 level for fiscal 2013 and thereafter (pages 15-16)

Higher Education Investment Fund – adds St. Mary’s College of Maryland to the list of eligible recipients (page 17)

5

¹ Provisions added or amended in whole or in part, except by a technical amendment, are noted in *italics*.

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 the greater of \$1,839.47 per full-time equivalent student or specified percentages of public four-year per student funding 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 (pages 17-21)

6

Baltimore City Community College – sets total funding for fiscal 2013 at \$39.9 million; establishes that funding will be the greater of \$5,695.63 per full-time equivalent student or specified percentages of public four-year per student funding 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 (pages 21-23)

6

Sellinger Formula for Aid to Nonpublic Institutions of Higher Education – sets total funding for fiscal 2013 at \$38.1 million; establishes that funding will be the greater of \$875.53 per full-time equivalent student or specified percentages of public four-year per student funding 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 (pages 23-25)

6

Community Right-to-Know Fund – modifies the authorized uses of the fund to include emergency response activities in the Department of the Environment (pages 25-26)

State Recycling Trust Fund – modifies the authorized uses of the fund to include land management administration in the Department of the Environment (page 26)

Maryland Heritage Areas Authority – strikes a provision that would have authorized for fiscal 2013 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 (page 26)

Strikes a provision that would have created the Developmental Disabilities Trust Fund as a special, non-lapsing fund, consisting of unspent general funds and other appropriations and instead authorizes that up to \$5 million in fiscal 2012 funds may be reserved in a dedicated account for future specified uses (pages 28-29, 82-83)

Adult and Elderly Day Care Facility Assessment – strikes a provision that would have authorized an assessment not to exceed 5.5% of total operating revenue to day care centers for the elderly and adults (page 29)

Rural Enrollment Supplemental Payments – strikes a provision that would require a Managed Care Organization (MCO) 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 Enrollment Supplemental Payments; instead adds a provision that requires MCOs to make good faith effort to engage providers in all parts of the State in order to be eligible for the incentive payments (pages 31-32)

7

Vital Records Fees – restores a provision that 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 (page 30)

8

Repeals the requirement that Medicaid pay a nursing facility for days when a program recipient is hospitalized (page 32)

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 (pages 32-33)

Nursing Facility Quality Assessment – increases the assessment from 5.5 to 6.0% of nursing facility operating revenue (page 33)

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 (pages 33-35)

Maryland Health Insurance Plan – authorizes that MHIP Fund may be used by the Department of Health and Mental Hygiene to provide mental health services to the uninsured (page 35)

Facility Renewal and Capital Maintenance Fund – establishes a special non-lapsing fund, and, beginning in fiscal 2014, requires the Governor to establish an agency charge-back to generate funds for facility renewal, capital maintenance, and related expenses (pages 36-39)

9

National Mortgage Settlement Funds – requires that funds due to the State be held in the State treasury, that the funds be appropriated through the annual budget bill, and that, in fiscal 2014, funds are appropriated to the Dedicated Purpose Account (page 40)

10

Lottery Agent Commissions – permanently sets the commission paid to lottery agents at 5.0% of gross receipts from ticket sales (page 40)

11

Office of Administrative Hearings – strikes a provision that raises the fee for an appeal of a driver's license suspension or revocation from \$125 to \$150; this provision is in SB 523 (pages 40-41)

Teacher Pension Costs – provides that the State and local school boards will share in the costs of teacher retirement by phasing in a requirement for school board payment of the annual normal cost over a three-year period (pages 41-48, 81)

12

Repeals the requirement that county governments repay \$36.7 million annually, from fiscal 2013 to 2022, to replenish the Local Income Tax Reserve Account (page 49)

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 (pages 49-50)

Delays the final repayment to the Maryland Transportation Authority for the InterCounty Connector from fiscal 2013 to 2014 (page 50)

BWI Fire and Rescue Department – requires the Maryland Aviation Administration to levy a fee on ambulance transports conducted by the BWI Fire and Rescue Department (pages 50-51)

Requires the Maryland Transit Administration to adjust fares to the nearest dime triennially, beginning in fiscal 2013, based on the increase in the Consumer Price Index over the preceding three calendar years (pages 51-52)

13

Speed Camera Revenues – directs a portion of the revenue from speed cameras to the Department of State Police for roadside enforcement activities (pages 52, 85)

Increases the vehicle registration surcharge which accrues to the Maryland Emergency Medical System Operations Fund from \$11 to \$13 (pages 52-53)

14

Maryland Transportation Authority – sets forth the requirements and procedures for enforcement of electronic toll collections and providing for reciprocal agreements with other states (pages 53-59)

15

Prohibits the Department of Health and Mental Hygiene from adopting regulations that would retrospectively change the requirements for medical loss ratio payments (page 60)

16

Medicaid value-based purchasing incentives – authorizes that the cap on disincentive payments made by managed care organizations may be increased from 0.5 to 1.0% effective for calendar 2012 (pages 60-61)

Delays until September 2016 the requirement that the Geographic Cost of Education Index be updated (page 61)

Transfers \$5 million from the balance in the Senior Prescription Drug Assistance Program to the Medicaid Kidney Disease Program in fiscal 2013 (page 61)

Personal Income Tax Exemptions – strikes a provision that would have reduced the personal exemption for individual taxpayers with income over \$100,000 from \$2,400 to \$1,200 and eliminated 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 (page 62)

Personal Income Tax Itemized Deductions – strikes a provision that would have reduced 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 (pages 62-63)

Digital Products – strikes a provision that would have expanded the application of the sales and use tax to digital products (pages 64-73)

Remote Sellers – strikes a provision that 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 (pages 73-74)

Tobacco Tax – strikes a provision that increases from 15 to 70% the tax on all tobacco products other than cigarettes; an amended version of this provision is in SB 523 (pages 74, 80)

Indemnity Mortgages – strikes a provision that expands the application of the recordation tax to include indemnity mortgages; this provision is in SB 523 (pages 74-75)

Maryland-mined Coal Tax Credit – strikes a provision that would repeal the credit effective January 1, 2012 (page 75)

Telecommunications Tax Credit – strikes a provision that repeals the provision that allows telecommunication companies to claim a credit based on a portion of property taxes; this provision is in SB 523 (page 75)

Sales and Use Tax – strikes a provision that repeals exemptions to the sales and use tax for gas cylinder demurrage, the resale of manufactured homes, and precious metal coins and bullion; the provision related to gas cylinder demurrage is in SB 523 (page 75)

Implements the contingent reduction plan by reducing the per pupil foundation amount to \$6,650 in fiscal 2013 (pages 75-76, 77)

Fund balance transfers to the general fund (table includes amended transfers described elsewhere in this document) (pages 77-79)

	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>
Helicopter Replacement Fund	\$1,000,000	
Baltimore City Community College	1,800,000	
<i>University System of Maryland</i>		<i>\$7,775,000</i>
Maryland Correctional Enterprises Revolving Fund		500,000
Spinal Cord Injury Research Trust Fund		500,000
<i>Morgan State University</i>		<i>381,000</i>

	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>
<i>Horse Racing Impact Aid</i>		351,000
State Board of Physicians		320,392
State Board of Occupational Therapy Practice		0
State Insurance Trust Fund		206,000
<i>Maryland Not-For-Profit Development Center Program Fund</i>		111,063
State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists		96,350
State Board of Podiatric Medical Examiners		0
Division of State Documents Special Fund		50,000
State Board of Morticians and Funeral Directors		9,788
Waterway Improvement Fund		0
Transfer Tax – Program Open Space*		96,870,649
Injured Workers’ Insurance Fund		50,000,000

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

Strikes the proposed transfers from the State Board of Occupational Therapy Practice, the State Board of Medical Examiners, and the Waterway Improvement Fund and adds a transfer from the State Board of Physicians (pages 78-79)

Restores the transfer from the Maryland Not-For-Profit Development Center Program Fund (page 78)

17

Adds transfers from the University System of Maryland and Morgan State University (page 78)

18

Adds a transfer from horse racing impact aid revenues (page 78)

19

Transfers \$1,867,000 from the Small, Minority, and Women-Owned Business Account established with the revenues from the video lottery terminal program to the Education Trust Fund in fiscal 2012 (page 79)

20

Fair Campaign Financing Fund – strikes a provision that would have transferred \$413,000 to the State Board of Elections for the operations and maintenance expenses of a new online campaign finance system (pages 79-80)

21

Requires that the Governor include in the fiscal 2014 allowance \$2 million from the Fair Campaign Financing Fund to be used by the State Board of Elections to begin the

implementation of a voting system that provides a voter-verifiable paper record (page 80)

Problem Gambling Fund – transfers \$950,000 in fiscal 2013 to the Education Trust Fund (page 80)

Strikes the General Mandate Relief provision where, 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 (pages 80-81)

Limits, for fiscal 2013, the increase in rates paid to group homes and nonpublic placements to 1% over the rates in effect on January 18, 2012 (page 81)

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 (page 81)

Maryland Energy Administration – strikes a provision that would have transferred \$2 million from the Administrative Account of the Strategic Energy Investment Fund to the Office of Home Energy Programs for energy assistance (page 83)

22

Senior Prescription Drug Assistance Program – transfers \$4.5 million in fiscal 2013 to Medicaid (page 83)

Exelon-Constellation Merger Settlement Funds – requires that funds received by the State be appropriated through the annual budget bill (page 83)

Strikes a provision authorizing the contingent transfer of \$25 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (page 83)

23

Adds language expressing the intent of the General Assembly that funds be provided in the annual budget to upgrade the Maryland Institute of Emergency Medical Services Systems communications system (page 85)

24

Injured Workers' Insurance Fund – makes the transfer contingent on the enactment of SB 745 or HB 1017; clarifies that the transfer from the Injured Workers' Insurance Fund resolves any claim that State has to the property or assets of the Injured Workers' Insurance Fund and that the amount of the transfer is subject to a determination by the Insurance Commissioner of the value the Injured Workers' Insurance Fund has received from the State (pages 36-37, 79, 85-86)

25

Teacher Retirement Supplemental Grants – allocates \$24.6 million to specified counties (pages 9-10)

26

Strikes a provision that would provide an additional State grant for a county board of education to ensure that direct education aid in fiscal 2013 does not decrease by more than 5% compared to fiscal 2012 (page 15)

27

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 *in the following fiscal year (pages 13-14, 15, 41)*

28

Adds a provision for a local school board to amend its budget after adoption to appropriate funds that may be received directly from the State Comptroller in the event a county fails to meet maintenance of effort and does not receive a waiver from the State Board of Education (pages 76-77)

29

Sets out the additional maintenance of effort payments required by each county in fiscal 2013 through 2015 during the phase-in of the cost-sharing of teacher retirement costs and clarifies the calculation for fiscal 2016 and thereafter (pages 83-85)

30

Provides that a county which does not meet maintenance of effort for fiscal 2012 and approves a county income tax rate of 3.2% before July 1, 2012, may reduce its required fiscal 2013 maintenance of effort amount by 15% (page 85)

31

Makes the provisions described in Amendments 29 and 31 contingent on enactment of SB 848 or HB 1412 (page 86)

32

Defers until fiscal 2015 the repeal of the requirement that local boards of education reimburse the State Retirement Agency for the employer share of retirement contributions for federally funded positions (pages 77, 86)

32

Technical Amendments:

- *Purpose and function paragraphs*
- *Renumbering*

1

33

**Transfers to the General Fund
Budget Reconciliation and Financing Act (SB 152)
Fiscal 2012 and 2013
(\$ in Millions)**

<u>Fiscal 2012</u>	<u>Admin. Proposal</u>	<u>Senate</u>	<u>APP/ W&M</u>
Baltimore City Community College	\$1.8	\$1.8	\$1.8
Helicopter Replacement Fund – State Police	1.0	1.0	1.0
Total Fiscal 2012 Transfers	\$2.8	\$2.8	\$2.8
<u>Fiscal 2013</u>			
Maryland Correctional Enterprises Revolving Fund	\$0.5	\$0.5	\$0.5
Spinal Cord Injury Research Trust Fund	0.5	0.5	0.5
State Board of Occupational Therapy Practice	0.2	0.0	0.0
State Board of Examiners for Audiologists and SLPs	0.1	0.1	0.1
State Board of Podiatric Medical Examiners	0.1	0.0	0.0
State Board of Morticians and Funeral Directors (\$9,788)	0.0	0.0	0.0
State Board of Physicians	0.0	0.3	0.3
Horse Racing Impact Aid	0.0	0.0	0.4
University System of Maryland	0.0	0.0	7.8
Morgan State University	0.0	0.0	0.4
Maryland Not-For-Profit Development Center Program Fund	0.1	0.0	0.1
Injured Workers' Insurance Fund	50.0	50.0	50.0
State Insurance Trust Fund	0.2	0.2	0.2
Division of State Documents – Secretary of State	0.1	0.1	0.1
Subtotal	\$51.8	\$51.7	\$60.3
<u>Fiscal 2013 PAYGO Capital Transfers</u>			
Program Open Space and Related Programs	\$96.9	\$96.9	\$96.9
Waterway Improvement Fund	2.6	0.0	0.0
Subtotal	\$99.5	\$96.9	\$96.9
Total Fiscal 2013 Transfers	\$151.3	\$148.6	\$157.2

BRFA: Budget Reconciliation and Financing Act

PAYGO: pay-as-you-go Capital Funds – Operating Budget Spending for Capital Projects

SLPs: Speech-Language Pathologists

**General Fund Reductions Contingent on
Budget Reconciliation and Financing Act (SB 152)**

**Fiscal 2013
(\$ in Millions)**

<u>Contingent on Budget Reconciliation and Financing Act</u>	<u>Senate</u>	<u>APP/ W&M</u>
Education Aid – Redirect Unspent Fiscal 2012 VLT Funds to Education Trust Fund ⁽¹⁾	\$0.0	\$2.8
Share Teachers' Retirement Costs with School Boards	68.3	136.6
Level Fund Sellinger Grants for Private Higher Education Institutions	1.3	1.3
Higher Education – Share of Additional Corporate Taxes Paid by Telecom. Companies ⁽²⁾	0.6	0.2
Increase Nursing Home Provider Rate from 5.5 to 6.0% – Medicaid	6.9	6.9
Fund Kidney Disease Program with Nonprofit Health Plan/SPDAP Revenues	2.0	2.0
Utilize Senior Prescription Drug Assistance Program Fund Balance for Medicaid	4.5	4.5
Use Nonprofit Health Plan Revenues for Mental Health Community Services	6.2	6.2
Eliminate Payments to Nursing Homes for Reserving Beds for Hospitalized Patients	0.0	1.3
Shift Speed Camera Revenues from State Highway Administration to State Police	4.2	4.2
Elections – Use Fair Campaign Finance Funds for New Campaign Finance System	0.4	0.0
Total Reductions Contingent on BRFA	\$94.5	\$166.1

⁽¹⁾ Portion of video lottery proceeds distributed to the Small, Minority, and Women-Owned Business Investment Account and Problem Gambling Fund.

⁽²⁾ Contingent on State and Local Revenue and Financing Act of 2012 (SB 523).

BRFA: Budget Reconciliation and Financing Act

SPDAP: Senior Prescription Drug Assistance Program

Senate Bill 523 – State and Local Revenue and Financing Act of 2012

Provisions Included in SB 523:

- Income Tax Bracket and Rate Changes (\$140.1 Million in Fiscal 2013)**

<i>Single Taxpayers</i>			<i>Joint Taxpayers</i>		
<i>Lower</i>	<i>Upper</i>	<i>Current/Proposed</i>	<i>Lower</i>	<i>Upper</i>	<i>Current/Proposed</i>
1	1,000	2.00%	1	1,000	2.00%
1,001	2,000	3.00%	1,001	2,000	3.00%
2,001	3,000	4.00%	2,001	3,000	4.00%
3,001	100,000	4.75%	3,001	150,000	4.75%
100,001	150,000	4.75%/5.00%	150,001	200,000	4.75%/5.00%
150,001	300,000	5.00%/5.25%	200,001	350,000	5.00%/5.25%
300,001	500,000	5.25%/5.50%	350,001	500,000	5.25%/5.50%
500,001	99,999,999	5.50%/5.75%	500,001	99,999,999	5.50%/5.75%

- Income Tax Personal Exemption Changes (State Revenues of \$51.7 Million and Local Revenues of \$31.4 Million in Fiscal 2013)**

<i>Federal Adjusted Gross Income</i>			<i>Amount Per Exemption</i>	
<i>Lower</i>	<i>Upper</i>	<i>Filing</i>	<i>Proposed</i>	<i>Current</i>
1	100,000	Single	3,200	3,200
100,001	125,000	Single	1,600	2,400
125,001	150,000	Single	800	1,800
150,001	200,000	Single	0	1,200
200,001	99,999,999	Single	0	600
1	150,000	Joint	3,200	3,200
150,001	175,000	Joint	1,600	2,400
175,001	200,000	Joint	800	1,800
200,001	250,000	Joint	0	1,200
250,001	99,999,999	Joint	0	600

- **Other Tobacco Products Rate Increase (\$8 Million in Fiscal 2013)**

Increases the other tobacco product tax rate on moist snuff and smokeless tobacco from 15 to 50% of the wholesale price.

The tax rate for premium cigars remains at 15% of the wholesale price.

The tax rate for other cigars increases from 15 to 70% of the wholesale price.

- **Recordation Tax – Indemnity Mortgages (Local Revenues of \$39.7 Million in Fiscal 2013)**

Applies the recordation tax to an “indemnity mortgage” in the same manner as if the guarantor were primarily liable for the guaranteed loan, unless the recordation tax is paid on another instrument of writing that secures the payment of the guaranteed loan or the indemnity mortgage secures a guarantee of repayment of a loan for less than \$1.0 million.

- **Office of Administrative Hearings – Fee Increase (\$497,500 in Fiscal 2013)**

Increases the maximum filing fee from \$125 to \$150 for an appeal of a decision by the Motor Vehicle Administration to suspend or revoke a driver’s license.

- **Corporate Income Tax Credit – Telecommunications Property Taxes (\$7.4 Million in Fiscal 2013)**

Repeals the corporate income tax credit for State and local property taxes paid on certain telecommunications property.

- **Repeal of Sales and Use Tax Exemptions for cylinder demurrage and certain sales of direct mail advertising literature and mail order catalogues to be distributed outside the State (\$5 million in Fiscal 2013)**

Repeals the State sales and use tax exemption for demurrage charges in the nature of a penalty for failure to return a gas cylinder within a designated time period, and repeals the exemption for certain sales of direct mail advertising literature and mail order catalogues to be distributed outside the State.

- **Income Tax – Electing Small Business Trusts (\$15 Million in Fiscal 2013)**

Requires a fiduciary of certain trusts to include the income derived from certain stock holdings for the purpose of calculating federal adjusted gross income.

Provisions Removed from SB 523:

- 5.75% State income tax rate imposed on all net taxable income of taxpayers with over \$500,000 of net taxable income, and related provisions for funding of Aging Schools and municipal highway user revenues.
- Increase in refundability of the Earned Income Tax Credit.
- Sales and Use Tax – Internet Sales Affiliates.

Additional Annual Income Tax Paid Under the Ways and Means Committee and Senate Plans

Joint Filer with Two Children		
Federal Adjusted Gross Income	Ways and Means Committee	Senate
\$50,000	\$0	\$44
\$75,000	\$0	\$65
\$90,000	\$0	\$91
\$120,000	\$0	\$147
\$150,000	\$0	\$208
\$180,000	\$325	\$292
\$205,000	\$454	\$356
\$255,000	\$382	\$475
\$525,000	\$1,012	\$1,100
\$1,100,000	\$2,393	\$5,237

Joint Filer with No Children		
Federal Adjusted Gross Income	Ways and Means Committee	Senate
\$50,000	\$0	\$53
\$75,000	\$0	\$75
\$90,000	\$0	\$103
\$120,000	\$0	\$159
\$150,000	\$0	\$224
\$180,000	\$170	\$303
\$205,000	\$263	\$362
\$255,000	\$283	\$478
\$525,000	\$911	\$1,103
\$1,100,000	\$2,289	\$5,240

General Fund Revenues
State and Local Revenue and Financing Act (SB 523),
BRFA (SB 152), and Other Legislation
(\$ in Millions)

	<u>Admin.</u> <u>Plan</u>	<u>Senate</u>	<u>W&M</u>
State and Local Revenue and Financing Act (SB 523)			
Fee to Appeal Driver's License Suspension (\$42,048)*	\$0.0	\$0.0	\$0.0
Total Fiscal 2012 Revenues	\$0.0	\$0.0	\$0.0
<u>Fiscal 2013 Revenues</u>			
Cap Itemized Deductions – Individual Income Tax*	\$129.3	\$0.0	\$0.0
Limit Personal Exemptions – Individual Income Tax*	66.8	0.0	51.7
Income Tax Bracket and Rate Changes	0.0	475.8	140.1
Electing Small Business Trusts – Modify Income Determination	0.0	0.0	15.0
Refundable Earned Income Tax Credit	0.0	-7.8	0.0
Eliminate Telecom Property Tax Credits – Corporate Income Tax*	7.4	7.4	7.4
Internet Sales Affiliates – Subject Sales to Sales Tax*	20.0	20.0	0.0
Extend Sales Tax to Digital Downloads*	5.5	0.0	0.0
Precious Metal Coins or Bullion – Eliminate Sales Tax Exemption*	2.9	0.0	0.0
Resale of Mobile Homes – Eliminate Sales Tax Exemption*	1.4	0.0	0.0
Cylinder Demurrage – Eliminate Sales Tax Exemption*	0.7	0.7	0.7
Out-of-State Direct Mail Literature – Eliminate Sales Tax Exemption	0.0	0.0	4.3
Increase Tax Rate for Other Tobacco Products*	18.7	4.7	8.0
Repeal Tax Credit on Maryland Mined Coal*	4.5	0.0	0.0
Fee to Appeal Driver's License Suspension – Increase \$25*	0.5	0.5	0.5
Total – SB 523	\$257.7	\$501.3	\$227.7
Budget Reconciliation and Financing Act (SB 152)			
Lottery Sales Commission – Maintain at 5%	\$8.8	\$8.8	\$8.8
Modify Revenue Distribution to Chesapeake Bay 2010 Fund	8.0	8.0	8.0
Increase Fees for Certain Vital Records from \$12 to \$24	0.7	0.0	0.7
Abandoned Property – Eliminate Newspaper Listings – Use Internet	0.5	0.5	0.0
Teachers' Retirement Costs for Federally Funded Positions	-37.1	-37.1	0.0
Total – BRFA	-\$19.1	-\$19.8	\$17.5
Electronic Bingo Machines – Remove Sunset on Tax (HB 1166)			9.5
Tobacco Products – Increase Penalties on Tax Avoidance (HB 346)			1.6
Total Fiscal 2013 Revenues – SB 523/BRFA/Other	\$238.7	\$481.5	\$256.4

BRFA: Budget Reconciliation and Financing Act

*Under the Administration proposal these provisions are in the BRFA.

House Appropriations Plan Sharing of Teachers' Retirement Costs with Local Jurisdictions

- Shares retirement costs for school boards only (excludes libraries and community colleges).
- School boards to pay *normal cost* of retirement phased in over three years with concurrent county-paid maintenance of effort increases.
- The normal cost reflects the current cost of retirement for active employees, which does not include unfunded, accrued liabilities. The normal cost's dollar value grows primarily by the growth in salaries and the number of teachers employed.
- Required maintenance of effort paid by counties increases each year by additional pension costs during phase-in period.
- Pension costs offset by \$37 million federal fund reimbursement relief to school boards, new county revenues, and local aid to counties and school boards.
- State maintains responsibility to pay for unfunded accrued liabilities and reinvestment, as well as a portion of the normal cost and any costs above the estimates during the phase-in period.
- This plan requires amendments to the budget bill (SB 150) and the Budget Reconciliation and Financing Act (SB 152).

House Plan
Shift of Retirement Costs to School Boards with Offsets/Maintenance of Effort Increase
"Normal Cost" of Teachers Retirement Shifted to Locals with Three-year Phase-in
Fiscal 2013-2015
(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Normal Cost Shifted (School Boards) – 50/75/100%	-\$137	-\$200	-\$261
Offset by:			
Relieve Reimbursement for Federally Funded Teachers	0	0	38
Net Pension Costs Shifted to School Boards	-\$137	-\$200	-\$223
Counties Increase in MOE Due to Shift⁽³⁾	\$137	\$200	\$223
Annual Increase in MOE Due to Shift		\$63	\$23
Offset by:			
Additional Local Income Tax Revenues (SB 523)	\$31	\$22	\$22
Teachers' Retirement Supplemental Grant ⁽¹⁾ (SB 152)	28	28	28
Recordation Tax Indemnity Mortgages (SB 523)	36	36	36
Local Income Tax Reserve Relief (SB 152)	37	37	37
Restore Local Police Aid (SB 150/SB 152)	0	22	23
Health Dept Grants (SB 150/SB 152)	0	2	3
Total County Offsets	\$131	\$146	\$148
Net Impact of Shift on Counties	-\$5	-\$54	-\$75
Net Impact on State General Fund (Savings)/Cost⁽²⁾	-\$109	-\$147	-\$166
Remaining State-Paid Pension Costs (Non-normal)	\$768	\$840	\$831
Net Impact of Shift on School Boards	\$0	\$0	\$0
State Direct Aid Increase Current Law ⁽²⁾	113	88	114

MOE: maintenance of effort

⁽¹⁾ Includes Miscellaneous Grant for Baltimore City.

⁽²⁾ Includes increase in Guaranteed Tax Base program due to increased MOE.

⁽³⁾ Fiscal 2015 county MOE increase is included in per pupil MOE amount for fiscal 2016.

Note: Includes school boards only; Governor's proposal also included community colleges and libraries.

SB 152 Impact of Pension Sharing on Local School Boards
Appropriations Committee Plan – Fiscal 2013 and 2015
(\$ in Thousands)

School System	Fiscal 2013			Fiscal 2015			
	50% Normal Cost Pension Share	County MOE Increase	Net Impact	100% Normal Cost Pension Share	Relief FF Teacher Retirement	County MOE Increase	Net Impact
Allegany	-\$1,488	\$1,488	\$0	-\$2,838	\$565	\$2,273	\$0
Anne Arundel	-11,494	11,494	0	-21,927	2,707	19,219	0
Baltimore City	-12,923	12,923	0	-24,653	6,131	18,522	0
Baltimore	-15,756	15,756	0	-30,058	4,486	25,571	0
Calvert	-2,836	2,836	0	-5,410	528	4,883	0
Caroline	-794	794	0	-1,515	296	1,219	0
Carroll	-4,006	4,006	0	-7,642	759	6,883	0
Cecil	-2,460	2,460	0	-4,693	636	4,057	0
Charles	-3,937	3,937	0	-7,510	741	6,769	0
Dorchester	-657	657	0	-1,252	289	964	0
Frederick	-5,893	5,893	0	-11,243	1,118	10,125	0
Garrett	-665	665	0	-1,268	282	986	0
Harford	-5,530	5,530	0	-10,549	1,491	9,058	0
Howard	-9,821	9,821	0	-18,736	1,016	17,720	0
Kent	-366	366	0	-699	149	550	0
Montgomery	-27,228	27,228	0	-51,943	6,342	45,601	0
Prince George's	-19,555	19,555	0	-37,305	6,757	30,547	0
Queen Anne's	-1,106	1,106	0	-2,109	295	1,814	0
St. Mary's	-2,486	2,486	0	-4,742	613	4,129	0
Somerset	-480	480	0	-916	283	633	0
Talbot	-628	628	0	-1,199	226	973	0
Washington	-3,094	3,094	0	-5,903	918	4,985	0
Wicomico	-2,174	2,174	0	-4,147	805	3,341	0
Worcester	-1,272	1,272	0	-2,426	414	2,012	0
Total	-\$136,645	\$136,645		-\$260,680	\$37,846	\$222,835	

FF: federal funds
MOE: maintenance of effort

Notes: Normal cost pension estimates from Gabriel, Roeder, Smith & Company. Cost by school system is based on school system payrolls with 1% annual growth.

SB 152 Impact of County Maintenance of Effort Increase Due to Sharing of Pension Costs
Appropriations Committee Plan – Fiscal 2013 and 2015
(\$ in Thousands)

County	Fiscal 2013						Fiscal 2015							
	MOE Increase Due to Pension Sharing	Teacher Retirement Sup. Grant	Indemnity Mortgage Rec. Tax	Local Income Reserve Relief	Local Income Tax Revenues	Net Impact	MOE Increase Due to Pension Sharing	Teacher Retirement Sup. Grant	Indemnity Mortgage Rec. Tax	Local Income Reserve Relief	Restore Police Aid	Restore Health Dept. Grants	Local Income Tax Revenues	Net Impact
Allegany	-\$1,488	\$1,632	\$107	\$245	\$70	\$566	-\$2,273	\$1,632	\$107	\$245	\$362	\$69	\$48	\$190
Anne Arundel	-11,494	0	2,925	3,356	3,018	-2,195	-19,219	0	2,925	3,356	2,603	252	2,095	-7,989
Baltimore City	-12,923	10,048	400	2,105	1,011	640	-18,522	10,048	400	2,105	0	534	702	-4,735
Baltimore	-15,756	3,000	2,100	4,840	3,237	-2,579	-25,571	3,000	2,100	4,840	3,768	352	2,247	-9,265
Calvert	-2,836	0	550	554	599	-1,133	-4,883	0	550	554	273	31	416	-3,058
Caroline	-794	685	100	100	35	126	-1,219	685	100	100	124	40	24	-145
Carroll	-4,006	0	800	1,087	1,057	-1,062	-6,883	0	800	1,087	588	96	734	-3,578
Cecil	-2,460	0	2,195	441	270	446	-4,057	0	2,195	441	380	63	187	-791
Charles	-3,937	0	1,000	823	842	-1,272	-6,769	0	1,000	823	511	79	585	-3,772
Dorchester	-657	309	185	97	31	-35	-964	309	185	97	146	33	22	-173
Frederick	-5,893	0	5,000	1,531	1,444	2,082	-10,125	0	5,000	1,531	879	119	1,003	-1,593
Garrett	-665	406	220	96	28	86	-986	406	220	96	85	33	20	-126
Harford	-5,530	0	1,020	1,531	1,291	-1,688	-9,058	0	1,020	1,531	1,081	137	896	-4,394
Howard	-9,821	0	2,903	2,918	3,514	-486	-17,720	0	2,903	2,918	1,324	99	2,440	-8,035
Kent	-366	0	70	91	45	-160	-550	0	70	91	79	25	32	-253
Montgomery	-27,228	0	11,000	10,503	10,203	4,479	-45,601	0	11,000	10,503	5,802	257	7,084	-10,955
Prince George's	-19,555	9,629	2,500	4,097	3,273	-56	-30,547	9,629	2,500	4,097	2,741	408	2,273	-8,899
Queen Anne's	-1,106	0	500	293	266	-47	-1,814	0	500	293	164	32	184	-641
St. Mary's	-2,486	0	500	636	590	-760	-4,129	0	500	636	366	63	410	-2,154
Somerset	-480	382	40	58	11	11	-633	382	40	58	96	32	8	-17
Talbot	-628	0	565	209	117	262	-973	0	565	209	170	25	81	77
Washington	-3,094	0	455	585	279	-1,775	-4,985	0	455	585	565	106	194	-3,080
Wicomico	-2,174	1,568	350	376	167	287	-3,341	1,568	350	376	440	73	116	-419
Worcester	-1,272	0	250	107	53	-861	-2,012	0	250	107	253	25	37	-1,339
Total	-\$136,645	\$27,659	\$35,735	\$36,678	\$31,451	-\$5,122	-\$222,835	\$27,659	\$35,735	\$36,678	\$22,799	\$2,983	\$21,838	-\$75,143

MOE: maintenance of effort

SB 848/HB 1412 as Amended – Maintenance of Effort Emergency Bill

1. **Mandatory Waiver Request** – Requires counties to apply for a waiver if they will not meet the maintenance of effort.
2. **Waiver Process** – Incorporates the 2010 conference committee version of the process bill plus two additional factors.
3. **Maintenance of Effort Calculation** – Excludes the cost of debt service as a recurring cost.
4. **Rebasing Waiver Request** – Limits the ability of a county to rebase the maintenance of effort to a lower amount to counties whose education effort is at least equal to the five-year moving State average (1.31% in fiscal 2012). Counties with effort below that level may not permanently rebase. A rebasing waiver may be granted by the State Board after considering additional criteria, and is capped each year at 97% of the required maintenance of effort amount.
5. **Recurring Cost Waiver Request** – Allows a county to apply for a rebasing waiver if the county and county board agree on a reduction in recurring costs, which may be less than the total savings. Exclusive representative must agree if reduction in compensation.
6. **Assurance** – Alters the penalty for not meeting the maintenance of effort to the amount by which a county does not make the maintenance of effort. State exercises right of setoff against local income tax revenues and redirects to county board. If a county goes below the local share of the foundation amount, the State also exercises right of setoff for State and local share of foundation amount and redirects to board.
7. **“Bounce back”** – If a county does not meet the maintenance of effort, the next year’s per pupil maintenance of effort amount is set at the last time the county made the maintenance of effort unless a rebasing or recurring cost waiver is granted.

8. **Increase Required Maintenance of Effort Amount** – Beginning in fiscal 2015, requires counties to maintain a constant education effort if a county's effort is below 100.0% of five-year moving State average by adjusting the per pupil maintenance of effort amount by a county's increase in local wealth per pupil, capped at 2.5% annual increase.

9. **Miscellaneous Provisions**

- a. Authorizes charter counties to increase property tax revenues in order to fund education.
- b. Waives all penalties for not meeting the fiscal 2012 maintenance of effort (Montgomery, Queen Anne's, and Anne Arundel (if applicable))
- c. For fiscal 2013 only, allows counties that missed maintenance of effort in fiscal 2012 and have local income tax rate of 3.2% to rebase at 2012 level.
- d. Does not allow rebasing in fiscal 2013 for any county that does not qualify under item c. above.
- e. Reports requirement for the Maryland State Department of Education on waiver requests, etc.
- f. Alters the timeframe by which the Maryland State Department of Education must certify whether a county has met maintenance of effort.

House Appropriations Committee
Status as of March 21, 2012

	<u>FY 2012</u>	<u>FY 2013</u>
Starting General Fund Balance	\$990,115,128	\$274,153,764
Revenues		
BRE Estimated Revenues – December 2011	\$14,055,183,000	\$14,423,040,000
BRE Revenue Revision – March 2012	-80,055,000	-50,775,000
Prior Budget Reconciliation Legislation	225,534,122	0
Budget Reconciliation Legislation – Revenues	0	17,538,540
Budget Reconciliation Legislation – Transfers	2,800,000	157,171,242
Additional Revenues	56,338,475	83,051,333
Subtotal Revenues	\$14,259,841,645	\$14,868,881,215
Net Transfer to the GF from the Rainy Day Fund	0	315,000,000
Subtotal Available Revenues	\$15,249,956,773	\$15,458,034,979
Appropriations		
General Fund Appropriations	\$14,781,136,445	\$15,727,220,337
Deficiencies	296,711,314	0
Budget Reconciliation Legislation – Expenditures	0	5,000,000
Legislative Reductions/Contingent Legislation	-64,910,000	-331,637,664
Estimated Agency Reversions	-37,134,750	-30,000,000
Subtotal Appropriations	\$14,975,803,009	\$15,370,582,673
Closing GF Balance	\$274,153,764	\$87,452,306

BRE: Board of Revenue Estimates

GF: general fund

Contingent Reduction Actions in Budget Bill (SB 150)

\$ in
Millions

Contingent on Failure of SB 152 Local Contributions of Retirement Costs for Teachers

Reduce per pupil foundation amount from \$6,761 to \$6,650	\$70.9
Eliminate GCEI	128.8
Eliminate Teacher Quality Incentives and National Board Certification fees	5.2
Reduce disparity grant by 10%	12.0
Supplemental disparity grant	19.6
Reduce library and State library network funding by 10%	5.0
Eliminate local law enforcement grants	20.8

Subtotal **\$262.2**

Contingent on Failure of SB 523 Raising General Fund Revenues

Eliminate Stem Cell Research Fund	\$10.4
Eliminate Biotechnology Tax Credit	8.0
Eliminate Sustainable Communities Tax Credit	7.0
Eliminate provider increases for DDA, MHA, foster care, and nonpublic placements	15.2
Reduce capacity at the RICAs; patients can be absorbed in private RTCs	6.5
Reduce public higher education 10%	38.5
Reduce funding for community colleges 10% below BRFA	19.9
Reduce nonpublic higher education grants by 10%	3.8
Eliminate Delegate and Senatorial scholarships	11.8
Eliminate State employee COLA	33.8
Increase employee share of health insurance costs	15.0
Eliminate 500 positions	30.0
Reduce agency operating expenses by 8%	50.0

Subtotal **\$249.9**

Grand Total **\$512.2**

BRFA: Budget Reconciliation and Financing Act

COLA: cost-of-living adjustment

DDA: Developmental Disabilities Administration

GCEI: Geographic Cost of Education Index

MHA: Mental Hygiene Administration

RTC: Residential Treatment Center

**Local Aid Reductions
Contingent on Failure of SB 152
Fiscal 2013**

Jurisdiction	Supplemental Disparity Grants	Disparity Grants	GOCCP Local Law Enforcement Grants	Eliminate GCEI	Library Aid	Per Pupil Reduction to \$6,650	Eliminate Teacher Quality Programs	Total
Allegany	-\$1,632,106	-\$729,851		\$0	-\$76,708	-\$978,816	\$0	-\$3,417,481
Anne Arundel	0			-9,042,800	-211,364	-4,466,588	0	-13,720,752
Baltimore City	-6,972,596	-7,754,249	-\$10,367,614	-22,396,367	-603,434	-11,566,137	0	-59,660,397
Baltimore	0			-5,478,127	-525,589	-8,212,938	0	-14,216,654
Calvert	0			-2,291,041	-36,742	-1,184,926	0	-3,512,709
Caroline	-685,108	-213,178		0	-26,783	-608,735	0	-1,533,805
Carroll	0			-2,535,378	-94,122	-2,030,733	0	-4,660,233
Cecil	0			0	-70,258	-1,472,640	0	-1,542,898
Charles	0			-3,498,074	-86,112	-2,275,912	0	-5,860,098
Dorchester	-308,913	-202,269		0	-24,950	-469,360	0	-1,005,492
Frederick	0			-6,379,612	-129,825	-3,313,293	0	-9,822,730
Garrett	-406,400	-213,127		0	-11,943	-257,891	0	-889,361
Harford	0			0	-148,693	-3,068,799	0	-3,217,492
Howard	0			-5,119,581	-81,224	-3,193,176	0	-8,393,981
Kent	0			-137,992	-8,470	-105,274	0	-251,736
Montgomery	0			-32,796,296	-272,098	-8,339,924	0	-41,408,318
Prince George's	-7,628,702	-2,169,477	-3,760,902	-38,292,762	-628,925	-12,921,728	0	-65,402,496
Queen Anne's	0			-558,377	-13,383	-447,766	0	-1,019,526
St. Mary's	0			-226,253	-59,047	-1,367,348	0	-1,652,648
Somerset	-381,999	-490,817		0	-26,344	-323,924	0	-1,223,084
Talbot	0			0	-10,579	-162,421	0	-173,000
Washington	0			0	-115,805	-2,241,776	0	-2,357,581
Wicomico	-1,567,837	-219,704		0	-89,673	-1,675,144	0	-3,552,358
Worcester	0			0	-14,407	-251,541	0	-265,948
Unallocated	0	0	-6,639,484	0	-1,605,881	0	-5,232,000	-13,477,365
Total State	-\$19,583,662	-\$11,992,672	-\$20,768,000	-\$128,752,660	-\$4,972,359	-\$70,936,790	-\$5,232,000	-\$262,238,143

GCEI: Geographic Cost of Education Index

GOCCP: Governor's Office of Crime Control and Prevention