

**Senate Budget and Taxation 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**

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**Maryland General Assembly  
Annapolis, Maryland**

**March 12, 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 Budget and Taxation Committee**

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- 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 \$572 million, or 52%, without significantly impacting vital public services. As the sharing of teachers’ pension costs is phased in, the structural gap is closed by almost 70%.
- 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 almost \$500 million.
- 3. Raises Revenue through Modest Changes to Income Tax** – The burden for maintaining vital government services is spread widely but fairly through changes to the graduated rate structure of the personal income tax and an expansion of the refundability of the State earned income tax credit.
- 4. Maintains the State’s Commitment to the Public Schools** – Total State support for the public schools will be about \$5.9 billion, an increase of \$104.1 million. This reflects a 1% increase in funding per student for the major State aid formulas and other formula adjustments.
- 5. 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 four 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.

- 6. 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 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.
- 7. 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 \$6 million, or 2.3%.
- 8. 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.
- 9. Maintains 5% of General Fund Revenues in Rainy Day Fund** – The proposed budget actions result in a general fund balance of about \$170 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.
- 10. Recognizes Efforts of State Workforce** – For the first time in three years, the budget includes funds for a modest 2% cost-of-living increase for State employees.

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

	<u>Admin.</u> <u>Proposal</u>	<u>B&amp;T</u>
<b><u>General Fund</u></b>		
<b><u>Fiscal 2012</u></b>		
Ending Balance Before Legislative Action	\$206.4	\$206.4
Revenues – Legislation – SB 523	0.0	0.0
Fund Transfers – Legislation – BRFA	2.8	2.8
Expenditure Reduction – Deficiency Appropriations	0.0	63.9
<b>Adjusted Ending Balance</b>	<b>\$209.2</b>	<b>\$273.2</b>
<b><u>Fiscal 2013</u></b>		
Revenues – March BRE Estimate	\$14,372.3	\$14,372.3
Other Revenues	83.1	81.5
Revenues – Legislation – BRFA	238.7	-19.8
Revenues – Legislation – SB 523	0.0	442.0
Fund Transfers – Legislation – BRFA	51.8	51.7
Capital Transfers – Legislation – BRFA	99.5	96.9
Transfer from Rainy Day Fund	315.0	315.0
<b>Total Revenues and Balance</b>	<b>\$15,369.5</b>	<b>\$15,612.7</b>
Expenditures – Governor's Allowance	\$15,692.2	\$15,697.2
Expenditure Reductions – Teachers Retirement – BRFA	-239.3	-68.3
Expenditure Reductions – Other Contingent – BRFA	-128.2	-26.2
Expenditure Reductions	0.0	-160.0
<b>Total Expenditures</b>	<b>\$15,324.7</b>	<b>\$15,442.7</b>
<b>Ending Balance (Revenues Less Expenditures)</b>	<b>\$44.8</b>	<b>\$170.0</b>
<b><u>Cash Position</u></b>		
General Fund Balance	\$44.8	\$170.0
Rainy Day Fund Balance – June 30, 2013	721.4	721.4
<b>Total</b>	<b>\$766.2</b>	<b>\$891.4</b>
Cash and Rainy Day Fund Over 5%	\$45.0	\$170.2

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

**Spending Affordability Analysis**  
**Senate Budget & Taxation Committee**  
(\$ in Millions)

**Target**

Estimated Structural Gap (December 2011)	<b>\$1,105</b>
50% Target Reduction	553

**Revenues**

	\$14,861
Income Tax Rate: 2012 Revenue	-133
Federal Payroll Tax Cut Extension	-39
Other One-time Items	-28

**Subtotal**

**\$14,661**

**Spending**

	\$15,443
CHIPRA Bonus in Medicaid	28
One-time Reductions	56
Local Management Board Fund Swap: Earned Reinvestment	7
Rainy Day Fund	-340
Pay-as-you-go Capital	-1

**Subtotal**

**\$15,193**

**Structural Reductions from Baseline Spending**

**\$572**

**Percent of Structural Deficit Reduction**

**52%**

Value of Full Phase-in of Teachers' Retirement Shift

**\$187**

% of Structural Deficit Reduction with Full Phase-in of Retirement

**69%**

CHIPRA: Children's Health Insurance Program Reauthorization Act



**Proposed Budget Reductions**  
**Senate Bill 150**  
**Fiscal 2013 Budget and Fiscal 2012 Deficiency Appropriations**  
(\$ in Millions)

**General Funds**

<u>Local Aid</u>	<u>B&amp;T</u>
Level Fund Police Aid Formula	\$21.4
Level Fund Local Health Formula	1.9
<b>C</b> Share Teachers' Retirement Costs	68.3
Community College Formula Grant	1.5
Keeping Community Colleges Affordable Grant	2.5
	<b>\$95.6</b>
<u>Medicaid</u>	
Reduce Funds for Fiscal 2012 Deficiency – Revised Estimate and Other Funds Available	\$63.9
Reduce Rates for Managed Care Organizations by 1%	15.7
Decrease Tobacco Cessation/Academic Centers Support from CRF and Fund Medicaid	11.3
Lower Estimate of Growth in Hospital Inpatient and Outpatient Costs	14.0
<b>C</b> Increase Nursing Home Facility Assessment – Save Medicaid General Funds	6.9
Eliminate Funding for Early Takeover of Medicaid Info System and Fiscal Agent Operations	6.1
Funding for Managed Care Organizations' Rural Incentive Payments	6.0
<b>C</b> Fund Kidney Disease Program/Medicaid with Nonprofit Health Plan/SPDAP Revenues	11.1
Maryland Children's Health Program – Fiscal 2012 Funds Available	2.2
Other Medicaid Reductions	2.1
	<b>\$139.3</b>
<u>Higher Education</u>	
University System of Maryland – Funding for One-time Bonus Costs Not Required in Fiscal 2013	\$5.3
Morgan State University – Funding for One-time Bonus Costs Not Required in Fiscal 2013	0.4
<b>C</b> More Higher Education Investment Funds Available – Corporate Income Tax	0.6
Baltimore City Community College	1.9
<b>C</b> Level Fund Seller Aid for Private Higher Education Institutions	1.3
	<b>\$9.6</b>
<u>State Agencies</u>	
Less Judiciary Operating Expenditures	\$2.5
Delete 6 New Positions – Judiciary	0.2
Less Funding for Postage and Supplies – Judiciary	0.7
Scale Back Funding for 700 MHz Radios	1.1
Reduce Funding for CARES Major Information Technology Project	3.4
<b>C</b> Elections – Use Fair Campaign Finance Funds for New Campaign Finance System	0.4
Reduce New Funds for Safe Kids Initiative	0.4
<b>C</b> Shift Speed Camera Revenues from State Highway Administration to State Police	4.2
<b>C</b> Use Nonprofit Health Plan Revenues for Mental Health Community Services	6.2
No Funding for Beds at Private Psychiatric Hospitals – Mental Hygiene Administration	2.1
Grant to MARBIDCO – Level Fund	0.3
Level Fund Tourism Development Board	1.0
Other Reductions	1.1
	<b>\$23.6</b>

**Grants/Tax Credits**

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

**State Reserve Fund**

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

**Total General Funds**

**\$318.4**

Reductions Also Incorporated in the Governor's Budget Proposal \$185.4

**Total Reductions Proposed in Addition to the Governor's Proposal \$133.1**

**Special Funds**

**B&T**

**C** Reduce Funds for Advertising Abandoned Property – Increase General Fund Revenues 0.5  
Eliminate Funding Associated with Internet Sales of Lottery Games 0.7  
Budget for Horse Racing Purses Does Not Reflect Lower VLT Revenue Estimates 3.8  
Reduce Funding for Horse Racing Impact Aid Based on Projected Revenues 0.9  
Electricity Costs – State Highway Administration 1.9  
Decrease Tobacco Cessation/Academic Health Centers Support from Cigarette Restitution Fund 11.3  
**C** Reduce Funding for Chesapeake and Atlantic Coast Bays Trust Fund 8.0  
Other Reductions 0.7  
**\$27.7**

**Pay-as-you-go**

**C** Reduce Funds for Open Space, Rural Legacy, and Agricultural Land Preservation – Use Bonds \$65.5  
Less Funding for Jane E. Lawton Conservation Loan Program 0.8  
**\$66.3**

**Total Special Funds**

**\$93.9**

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

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)

<u>Category</u>	<u>Work. Appr.</u> <u>FY 2012</u>	<u>Allowance</u> <u>FY 2013</u>	<u>B&amp;T</u> <u>Reductions</u>	<u>B&amp;T</u>		
				<u>Approp.</u> <u>FY 2013</u>	<u>FY 2012 to FY 2013</u> <u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n/a
County/Municipal	186.6	230.2	21.4	208.8	22.2	11.9%
Community Colleges	263.3	273.3	4.0	269.3	6.0	2.3%
Education/Libraries	5,595.4	5,755.6	68.3	5,687.3	91.9	1.6%
Health	38.3	39.2	1.9	37.3	-1.0	-2.6%
<b><i>Aid to Local Governments</i></b>	<b><i>\$6,083.5</i></b>	<b><i>\$6,298.3</i></b>	<b><i>\$95.6</i></b>	<b><i>\$6,202.7</i></b>	<b><i>\$119.1</i></b>	<b><i>2.0%</i></b>
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	75.4	2,508.9	-42.9	-1.7%
Property Tax Credits	81.8	82.0	0.0	82.0	0.1	0.2%
<b><i>Entitlements</i></b>	<b><i>\$2,959.2</i></b>	<b><i>\$2,983.7</i></b>	<b><i>\$75.4</i></b>	<b><i>\$2,908.3</i></b>	<b><i>-\$50.9</i></b>	<b><i>-1.7%</i></b>
Health	1,454.5	1,475.8	8.7	1,467.0	12.5	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	8.2	1,146.5	12.6	1.1%
Other Education	381.4	351.4	1.4	350.0	-31.4	-8.2%
Agric./Nat'l. Res./Environment	102.2	102.1	0.3	101.8	-0.4	-0.4%
Other Executive Agencies	535.9	634.0	7.3	626.7	90.8	16.9%
Legislative	76.8	78.5	0.0	78.5	1.7	2.2%
Judiciary	374.6	392.4	3.4	389.0	14.3	3.8%
<b><i>State Agencies</i></b>	<b><i>\$5,894.6</i></b>	<b><i>\$6,047.1</i></b>	<b><i>\$33.5</i></b>	<b><i>\$6,013.6</i></b>	<b><i>\$119.0</i></b>	<b><i>2.0%</i></b>
<b>Total Operating</b>	<b>\$14,937.3</b>	<b>\$15,329.1</b>	<b>\$204.5</b>	<b>\$15,124.6</b>	<b>\$187.3</b>	<b>1.3%</b>
Capital <sup>(1)</sup>	54.5	7.7	0.0	7.7	-46.8	-85.9%
Reserve Funds	15.0	390.5	50.0	340.5	325.5	2169.7%
<b>Appropriations</b>	<b>\$15,006.8</b>	<b>\$15,727.2</b>	<b>\$254.5</b>	<b>\$15,472.7</b>	<b>\$465.9</b>	<b>3.1%</b>
Reversions	-30.0	-30.0	0.0	-30.0	0.0	0.0%
<b>Grand Total</b>	<b>\$14,976.8</b>	<b>\$15,697.2</b>	<b>\$254.5</b>	<b>\$15,442.7</b>	<b>\$465.9</b>	<b>3.1%</b>

<sup>(1)</sup> Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2012 working appropriation includes deficiencies, targeted reversions, and Senate Budget and Taxation Committee reductions to the deficiencies. The fiscal 2013 reductions include \$94.5 million contingent on the Budget Reconciliation and Financing Act (SB 152).

## 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>B&amp;T</u> <u>Reductions</u>	<u>B&amp;T</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	35.9	489.3	40.0    8.9%
Community Colleges	264.1	273.9	4.0	270.0	5.9    2.2%
Education/Libraries	6,485.0	6,819.8	68.3	6,751.5	266.5    4.1%
Health	42.8	43.7	1.9	41.8	-1.0    -2.3%
<b>Aid to Local Governments</b>	<b>\$7,241.1</b>	<b>\$7,662.6</b>	<b>\$110.1</b>	<b>\$7,552.5</b>	<b>\$311.4</b> <b>4.3%</b>
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	102.8	7,028.1	58.9    0.8%
Property Tax Credits	81.8	82.0	0.0	82.0	0.1    0.2%
<b>Entitlements</b>	<b>\$8,772.4</b>	<b>\$8,772.3</b>	<b>\$102.8</b>	<b>\$8,669.4</b>	<b>-\$103.0</b> <b>-1.2%</b>
Health	3,044.7	3,142.0	14.1	3,127.9	83.2    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	7.6	5,133.1	120.9    2.4%
Other Education	710.9	652.8	1.6	651.2	-59.7    -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	8.3	383.1	-2.0    -0.5%
Other Executive Agencies	1,765.3	1,832.6	12.1	1,820.5	55.2    3.1%
Legislative	76.9	78.5	0.0	78.5	1.6    2.1%
Judiciary	431.0	452.2	3.5	448.7	17.7    4.1%
<b>State Agencies</b>	<b>\$15,711.5</b>	<b>\$16,038.7</b>	<b>\$49.9</b>	<b>\$15,988.8</b>	<b>\$277.3</b> <b>1.8%</b>
<b>Total Operating</b>	<b>\$32,792.5</b>	<b>\$33,587.0</b>	<b>\$262.8</b>	<b>\$33,324.3</b>	<b>\$531.8</b> <b>1.6%</b>
Capital <sup>(1)</sup>	1,930.1	2,276.2	52.7	2,223.5	293.4    15.2%
Reserve Funds	15.0	390.5	50.0	340.5	325.5    2169.7%
<b>Appropriations</b>	<b>\$34,737.6</b>	<b>\$36,253.7</b>	<b>\$365.5</b>	<b>\$35,888.3</b>	<b>\$1,150.7</b> <b>3.3%</b>
Reversions	-30.0	-30.0	0.0	-30.0	0.0    0.0%
<b>Grand Total</b>	<b>\$34,707.6</b>	<b>\$36,223.7</b>	<b>\$365.5</b>	<b>\$35,858.3</b>	<b>\$1,150.7</b> <b>3.3%</b>

<sup>(1)</sup> Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2012 working appropriation includes deficiencies, targeted reversions, and Senate Budget & Taxation Committee reductions to the deficiencies. The fiscal 2013 reductions include \$168.5 million in reductions contingent on the Budget Reconciliation and Financing Act (SB 152) offset by \$40.8 million in additional special fund spending due to funding swaps.

## 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>
<b>Governor's Allowance</b>					
Fiscal 2012 Budget	\$15,040,713,009	\$6,544,124,381	\$9,437,921,197	\$3,812,660,171	\$34,835,418,758 <sup>(1)</sup>
Fiscal 2013 Budget	15,697,220,337	7,254,467,259	9,342,921,799	3,929,128,287	36,223,737,682 <sup>(2)</sup>
<b>Budget Reconciliation and Financing Act of 2012</b>					
Fiscal 2012 Deficiencies	\$0	\$0	\$0	\$0	\$0
Fiscal 2013 Contingent Reductions	-94,540,212	-49,129,552 <sup>(3) (4)</sup>	0	0	-143,669,764
<b>Subtotal</b>	<b>-\$94,540,212</b>	<b>-\$49,129,552</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$143,669,764</b>
<b>Senate Budget and Taxation Committee Reductions</b>					
Fiscal 2012 Deficiencies	-\$63,910,000	\$0	-\$63,910,000	\$0	-\$127,820,000
Fiscal 2013 Budget	-159,966,986	-4,046,452 <sup>(3)</sup>	-57,772,199	0	-221,785,637
<b>Total Reductions</b>	<b>-\$223,876,986</b>	<b>-\$4,046,452</b>	<b>-\$121,682,199</b>	<b>\$0</b>	<b>-\$349,605,637</b>
<b>Appropriations</b>					
Fiscal 2012 Budget	\$14,976,803,009	\$6,544,124,381	\$9,374,011,197	\$3,812,660,171	\$34,707,598,758
Fiscal 2013 Budget	15,442,713,139	7,201,291,255	9,285,149,600	3,929,128,287	35,858,282,281
<b>Change</b>	<b>\$465,910,130</b>	<b>\$657,166,874</b>	<b>-\$88,861,597</b>	<b>\$116,468,116</b>	<b>\$1,150,683,523</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Reflects estimated general fund reversions of \$30.0 million.

<sup>(3)</sup> Includes \$40.8 million in special funds that will be added back to the budget by budget amendment to replace general fund reductions.

<sup>(4)</sup> Includes a \$630,000 reduction contingent on Senate Bill 523 as part of the Senate Budget and Taxation Committee's budget balancing plan.

# Senate Budget and Taxation Committee Action on the Budget Reconciliation and Financing Act of 2012 (SB 152)

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The Budget Reconciliation and Financing Act of 2012, as amended<sup>1</sup> by the Senate Budget and Taxation Committee, accomplishes the following for the general fund:

Fiscal 2012 Fund Transfers	\$ 2.8 million
Fiscal 2013 Fund Transfers	148.6 million
Fiscal 2013 Revenues*	-19.8 million
Fiscal 2013 Contingent Reductions and Fund Swaps	94.5 million
<b>Total Budgetary Action</b>	<b>\$226.1 million</b>

\* Revenue measures totaling \$442.0 million are in SB 523 – State and Local Revenue Act of 2012.

Amend.  
No.

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 (Committee Reprint, pages 8-10)

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 (page 11)

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 (pages 11-12, 13)

Aging Schools Program – sets funding by county at the fiscal 2011 level for fiscal 2013 and thereafter (pages 13-14)

*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 15-18)*

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

*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 19-21)*

3

*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 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 21-22)*

3

Community Right-to-Know Fund – modifies the authorized uses of the fund to include emergency response activities in the Department of the Environment (pages 22-23)

State Recycling Trust Fund – modifies the authorized uses of the fund to include land management administration in the Department of the Environment (pages 23-24)

*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 25)*

4

*Vital Records Fees – strikes a provision that would have increased 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 (pages 24-25)*

5

*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 (pages 26-27)*

5

*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 25-26 and 64)*

6

Repeals the requirement that Medicaid pay a nursing facility for days when a program recipient is hospitalized (page 28)

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 28-29)

Nursing Facility Quality Assessment – increases the assessment from 5.5 to 6.0% of nursing facility operating revenue (page 29)

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 29-30)

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 (pages 30-31)

*Lottery Agent Commissions – for fiscal 2013, sets the commission paid to lottery agents at 5.0% of gross receipts from ticket sales (page 32)*

7

*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 committee amendments to SB 523 (page 32)*

8

*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 (pages 44-45)*

8

*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 45-46)*

8

*Digital Products – strikes a provision that would have expanded the application of the sales and use tax to digital products (pages 46-56)*

8

*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; this provision is in committee amendments to SB 523 (pages 56-57)*

8

*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 committee amendments to SB 523 (page 57)*

8

*Indemnity Mortgages – strikes a provision that expands the application of the recordation tax to include indemnity mortgages; this provision is in committee amendments to SB 523 (pages 57-58)*

8

*Maryland-mined Coal Tax Credit – strikes a provision that would repeal the credit effective January 1, 2012 (page 58)*

8



*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 committee amendments to SB 523 (page 58)*

8

*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 provisions related to manufactured homes and precious metal coins and bullion are in committee amendments to SB 523 (page 58)*

8

*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 (pages 33-40)*

9

Repeals that requirement that county governments repay \$36.7 million annually, from fiscal 2013 to 2022, to replenish the Local Income Tax Reserve Account (page 41)

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 40-41)

Speed Camera Revenues – directs a portion of the revenue from speed cameras to the Department of State Police for roadside enforcement activities (page 43)

Delays until September 2016 the requirement that the Geographic Cost of Education Index be updated (page 44)

Transfers \$5 million from the balance in the Senior Prescription Drug Assistance Program to the Medicaid Kidney Disease Program in fiscal 2013 (page 44)

Repeals the requirement that local boards of education reimburse the State Retirement Agency for the employer share of retirement contributions for federally funded positions (page 59)

Fund balance transfers to the general fund (table includes amended transfers described elsewhere in this document) (pages 60-61)

	<b><u>Fiscal 2012</u></b>	<b><u>Fiscal 2013</u></b>
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
<i>State Board of Physicians</i>		<i>320,392</i>
<i>State Board of Occupational Therapy Practice</i>		<i>0</i>

	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>
State Insurance Trust Fund		206,000
<i>Maryland Not-For-Profit Development Center Program Fund</i>		0
State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists		96,350
<i>State Board of Podiatric Medical Examiners</i>		0
Division of State Documents Special Fund		50,000
State Board of Morticians and Funeral Directors		9,788
<i>Waterway Improvement Fund</i>		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 Maryland Not-For-Profit Development Center Program Fund, and the State Board of Medical Examiners (page 61)*

10

*Adds a transfer from the State Board of Physicians (page 61)*

10

*Transfers \$209,000 from the Small, Minority, Women-Owned Business Account established with the revenues from the video lottery terminal program to the Education Trust Fund in fiscal 2012 (page 61)*

10

*Problem Gambling Fund – adds a transfer of \$950,000 in fiscal 2013 to the Education Trust Fund (page 62)*

10

*Injured Workers’ Insurance Fund – 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 Injured Workers’ Insurance Fund has received from the State (pages 31 and 61)*

11

*Fair Campaign Financing Fund – transfers \$413,000 to the State Board of Elections for the operations and maintenance expenses of a new online campaign finance system (page 61)*

*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 (page 62)*

12

<i>Delays the final repayment to the Maryland Transportation Authority for the InterCounty Connector from fiscal 2013 to 2014 (page 41)</i>	13
<i>National Mortgage Settlement Funds – requires that funds be appropriated through the annual budget bill and that, in fiscal 2014, funds are appropriated to the Dedicated Purpose Account (pages 31-32)</i>	14
<i>Maryland Energy Administration – transfers \$2.0 million from the Administrative Account of the Strategic Energy Investment Fund to the Office of Home Energy Programs for energy assistance (page 65)</i>	15
<i>Moving Violation Surcharge – clarifies 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 (pages 10-11)</i>	16
<i>Senior Prescription Drug Assistance Program – transfers \$4.5 million in fiscal 2013 to Medicaid (page 65)</i>	17
<i>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 41-42)</i>	18
<i>Rural Access Incentive Payments – requires 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 (page 27)</i>	19
<i>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 43-44)</i>	20
<i>Exelon-Constellation Merger Settlement Funds – requires that funds be appropriated through the annual budget bill (page 65)</i>	21
<i>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 (pages 61-62)</i>	22
<i>Requires the Maryland Transit Administration to adjust fares biennially, beginning in fiscal 2013, based on the increase in the Consumer Price Index over the preceding two calendar years (page 43)</i>	23
<i>Teacher Retirement Supplemental Grants – allocates \$19.6 million to specified counties (pages 7-8)</i>	24

*Implements the contingent reduction plan by reducing the per pupil foundation amount to \$6,650 in fiscal 2013 and authorizing the transfer of \$25 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (pages 58-59, 65)*

25

*Provides 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 (pages 12-13)*

26

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 (pages 62-63)

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 63)

*Sets out the additional Maintenance of Effort payments required by each county in fiscal 2013 through 2016 during the phase-in of the cost-sharing of teacher retirement costs and clarifies the calculation for fiscal 2017 and thereafter (pages 65-66)*

27

*Technical Amendments:*

- *Purpose and function paragraphs*
- *Clarifications, effective dates, and renumbering*

1

2

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

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

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)**

<b><u>Contingent on Budget Reconciliation and Financing Act</u></b>	<b><u>B&amp;T</u></b>
Share Teachers' Retirement Costs with School Boards	\$68.3
Level Fund Seller Grants for Private Higher Education Institutions	1.3
Higher Education – Share of Additional Corporate Taxes Paid by Telecom. Companies*	0.6
Increase Nursing Home Provider Rate from 5.5 to 6.0% – Medicaid	6.9
Fund Kidney Disease Program with Nonprofit Health Plan/SPDAP Revenues	2.0
Utilize Senior Prescription Drug Assistance Program Fund Balance for Medicaid	4.5
Use Nonprofit Health Plan Revenues for Mental Health Community Services	6.2
Shift Speed Camera Revenues from State Highway Administration to State Police	4.2
Elections – Use Fair Campaign Finance Funds for New Campaign Finance System	0.4
 <b>Total Reductions Contingent on BRFA</b>	 <b>\$94.5</b>

BRFA: Budget Reconciliation and Financing Act

SPDAP: Senior Prescription Drug Assistance Program

\*Contingent on State and Local Revenue Act of 2012 (SB 523).

# State and Local Revenue Act of 2012 (SB 523)

## 1. Income Tax Bracket and Rate Changes

<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	25,000	4.75%/4.90%	3,001	50,000	4.75%/4.90%
25,001	75,000	4.75%/4.95%	50,001	100,000	4.75%/4.95%
75,001	150,000	4.75%/5.00%	100,001	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%/5.5%	350,001	500,000	5.25%/5.5%
500,001	99,999,999	5.50%/5.75%	500,001	99,999,999	5.50%/5.75%

These changes are estimated to increase revenue by \$416.5 million in fiscal 2013, reflecting the revenue impact of one and one-half tax years. In fiscal 2014, the revenue increase is an estimated \$297.5 million.

## 2. Earned Income Tax Credit (\$7.5 Million Revenue Loss in Fiscal 2013)

Expands the refundability of the State earned income tax credit. The percentage of the refund for qualified individuals increases by 1% each year for the next five years from 25 to 30%.

## 3. Sales and Use Tax – Internet Sales Affiliates (\$20.0 Million in Fiscal 2013)

Creates nexus with Maryland for out-of-State sellers by creating an assumption that a seller has an agent, canvasser, representative, salesman, independent contractor, or solicitor operating in the State for the purpose of selling or taking orders, under certain circumstances.

As a result, these sellers must collect the State sales and use tax from sales made to Maryland consumers.

**4. Other Tobacco Products Rate Increase (\$4.3 Million in Fiscal 2013)**

Increases the other tobacco product (OTP) tax rate from 15 to 20% of the wholesale price.

The tax rate for premium cigars increases to 20% of the wholesale price.

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

**5. 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.

**6. 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.

**7. Corporate Income Tax Credit – Telecommunications Property Taxes (\$7.5 Million in Fiscal 2013)**

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

**8. Repeal of the Sales and Use Tax Exemption for Cylinder Demurrage (\$700,000 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.



# State and Local Revenue Act of 2012 (SB 523)

## Impact of the Changes to Income Tax Rates and Brackets

<b>Joint Filer with Two Children</b>			
Federal Adjusted Gross Income	Maryland Taxable Income	Annual Increase	Monthly Increase
\$50,000	\$32,000	\$44	\$3.67
\$75,000	\$46,000	\$65	\$5.42
\$90,000	\$60,000	\$91	\$7.58
\$120,000	\$88,000	\$147	\$12.25
\$150,000	\$115,000	\$208	\$17.33
\$180,000	\$148,600	\$292	\$24.33
\$205,000	\$174,000	\$356	\$29.67
\$255,000	\$221,400	\$475	\$39.58
\$525,000	\$471,400	\$1,100	\$91.67
\$1,100,000	\$1,021,400	\$2,475	\$206.25

<b>Joint Filer with No Children</b>			
Federal Adjusted Gross Income	Maryland Taxable Income	Annual Increase	Monthly Increase
\$50,000	\$38,400	\$53	\$4.42
\$75,000	\$52,400	\$75	\$6.25
\$90,000	\$66,400	\$103	\$8.58
\$120,000	\$94,400	\$159	\$13.25
\$150,000	\$121,400	\$224	\$18.67
\$180,000	\$152,200	\$303	\$25.25
\$205,000	\$176,400	\$362	\$30.17
\$255,000	\$222,600	\$478	\$39.83
\$525,000	\$472,600	\$1,103	\$91.92
\$1,100,000	\$1,022,600	\$2,478	\$206.50

### Earned Income Credit

- The amendments to SB 523 expand the refundability of the State Earned Income Tax Credit. The value of the refund for qualified individuals increases 1% a year for the next five years from 25 to 30%.
- To claim the federal EIC in tax year 2011, a taxpayer must have a modified federal adjusted gross income of less than:
  - \$13,660 with no qualifying children,
  - \$36,052 with one qualifying child,
  - \$40,964 with two qualifying children, and
  - \$43,998 with three or more qualifying children.

**General Fund Revenues**  
**State and Local Revenue Act (SB 523) and**  
**Budget Reconciliation and Financing Act (SB 152)**  
(\$ in Millions)

	<u>Admin.</u>	<u>B&amp;T</u>
	<u>Plan</u>	
<b>State and Local Revenue Act (SB 523)</b>		
<b><u>Fiscal 2012 Revenues</u></b>		
Fee to Appeal Drivers' License Suspension (\$42,048)*	\$0.0	\$0.0
<b>Total Fiscal 2012 Revenues</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b><u>Fiscal 2013 Revenues</u></b>		
Cap Itemized Deductions – Individual Income Tax*	\$129.3	\$0.0
Limit Personal Exemptions – Individual Income Tax*	66.8	0.0
Income Tax Bracket and Rate Changes	0.0	416.6
Refundable Earned Income Tax Credit	0.0	-7.5
Eliminate Telecom Property Tax Credits – Corporate Income Tax*	7.4	7.4
Internet Sales Affiliates – Subject Sales to Sales Tax*	20.0	20.0
Extend Sales Tax to Digital Downloads*	5.5	0.0
Precious Metal Coins or Bullion – Eliminate Sales Tax Exemption*	2.9	0.0
Resale of Mobile Homes – Eliminate Sales Tax Exemption*	1.4	0.0
Cylinder Demurrage – Eliminate Sales Tax Exemption*	0.7	0.7
Increase Tax Rate for Other Tobacco Products*	18.7	4.3
Repeal Tax Credit on Maryland Mined Coal*	4.5	0.0
Increase Fees for Certain Vital Records from \$12 to \$24*	0.7	0.0
Fee to Appeal Drivers License Suspension – Increase \$25*	0.5	0.5
<b>Total</b>	<b>\$258.5</b>	<b>\$442.0</b>
<b>Budget Reconciliation and Financing Act (SB 152)</b>		
Lottery Sales Commission – Maintain at 5%	\$8.8	\$8.8
Modify Revenue Distribution to Chesapeake Bay 2010 Fund	8.0	8.0
Abandoned Property – Eliminate Newspaper Listings – Use Internet	0.5	0.5
Teachers' Retirement Costs for Federally Funded Positions	-37.1	-37.1
<b>Total</b>	<b>-\$19.8</b>	<b>-\$19.8</b>
<b>Total Fiscal 2013 Revenues – SB 523/BRFA</b>	<b>\$238.7</b>	<b>\$422.2</b>

BRFA: Budget Reconciliation and Financing Act

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

## **Senate Budget and Taxation 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 four 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).

**Budget and Taxation Plan**  
**Shift of Retirement Costs to School Boards with Offsets/Maintenance of Effort Increase**  
**"Normal Cost" of Teachers Retirement Shifted to Locals with Four-year Phase-in**  
**Fiscal 2013-2016**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Normal Cost Shifted (School Boards) – 25/50/75/100%	-\$68.3	-\$133.2	-\$195.5	-\$254.8
Offset by:				
Relieve Reimbursement for Federally Funded Teachers	\$37.1	\$37.5	\$37.8	\$38.2
<b>Net Pension Costs Shifted to School Boards</b>	<b>-\$31.2</b>	<b>-\$95.8</b>	<b>-\$157.7</b>	<b>-\$216.5</b>
<b>Counties Increase in MOE Due to Shift</b>	<b>\$31.2</b>	<b>\$95.8</b>	<b>\$157.7</b>	<b>\$216.5</b>
<b>Annual Increase in MOE Due to Shift</b>		<b>\$64.5</b>	<b>\$61.9</b>	<b>\$58.9</b>
Offset by:				
Disparity Grant <sup>(1)</sup>	\$22.6	\$22.6	\$22.6	\$22.6
Recordation Tax Indemnity Mortgages	39.7	39.7	39.7	39.7
Local Income Tax Reserve Relief	36.7	36.7	36.7	36.7
Restore Local Police Aid	0.0	22.1	22.8	23.5
Health Dept Grants	0.0	2.2	3.0	4.0
Total County Offsets	\$99.0	\$123.3	\$124.8	\$126.5
<b>Net Impact of Shift on Counties</b>	<b>\$67.8</b>	<b>\$27.5</b>	<b>-\$32.9</b>	<b>-\$90.0</b>
<b>Net Impact on State General Fund (Savings )/Cost<sup>(2)</sup></b>	<b>-\$8.6</b>	<b>-\$48.4</b>	<b>-\$105.4</b>	<b>-\$159.0</b>
<b>Remaining State-paid Pension Costs (Non-normal)</b>	<b>\$905.1</b>	<b>\$1,034.8</b>	<b>\$1,082.5</b>	<b>\$1,111.7</b>
<b>Net Impact of Shift on School Boards</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
State Direct Aid Increase Current Law <sup>2</sup>	\$113.2	\$88.4	\$113.6	\$184.4

MOE: maintenance of effort

<sup>(1)</sup> Includes Miscellaneous Grant for Baltimore City.

<sup>(2)</sup> Includes increase in Guaranteed Tax Base program due to increased MOE.

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

**SB 152 Impact of Pension Shift on Local School Boards  
Fiscal 2013 and 2016**

<b>School System</b>	<b>Fiscal 2013</b>				<b>Fiscal 2016</b>			
	<b>25% Normal Cost Pension Shift</b>	<b>Relief FF Teacher Retirement</b>	<b>County MOE Increase</b>	<b>Net Impact</b>	<b>100% Normal Cost Pension Shift</b>	<b>Relief FF Teacher Retirement</b>	<b>County MOE Increase</b>	<b>Net Impact</b>
Allegany	-\$743,871	\$554,075	\$189,796	\$0	-\$2,773,677	\$570,864	\$2,202,813	\$0
Anne Arundel	-5,746,842	2,653,896	3,092,946	0	-21,428,297	2,734,311	18,693,986	0
Baltimore City	-6,461,431	6,009,932	451,499	0	-24,092,793	6,192,039	17,900,753	0
Baltimore	-7,877,901	4,397,964	3,479,937	0	-29,374,395	4,531,227	24,843,168	0
Calvert	-1,417,969	517,143	900,826	0	-5,287,193	532,813	4,754,380	0
Caroline	-396,967	289,758	107,209	0	-1,480,175	298,538	1,181,637	0
Carroll	-2,002,891	743,833	1,259,058	0	-7,468,196	766,372	6,701,824	0
Cecil	-1,229,909	623,340	606,569	0	-4,585,973	642,228	3,943,745	0
Charles	-1,968,258	726,358	1,241,900	0	-7,339,061	748,367	6,590,694	0
Dorchester	-328,271	283,124	45,147	0	-1,224,028	291,703	932,325	0
Frederick	-2,946,731	1,095,976	1,850,755	0	-10,987,499	1,129,185	9,858,314	0
Garrett	-332,357	276,240	56,117	0	-1,239,262	284,610	954,652	0
Harford	-2,764,870	1,461,759	1,303,111	0	-10,309,396	1,506,052	8,803,344	0
Howard	-4,910,533	996,214	3,914,319	0	-18,309,945	1,026,400	17,283,545	0
Kent	-183,073	145,672	37,401	0	-682,628	150,086	532,542	0
Montgomery	-13,613,776	6,216,647	7,397,129	0	-50,761,802	6,405,018	44,356,785	0
Prince George's	-9,777,290	6,624,145	3,153,145	0	-36,456,662	6,824,863	29,631,799	0
Queen Anne's	-552,763	289,021	263,742	0	-2,061,093	297,779	1,763,314	0
St. Mary's	-1,242,849	601,198	641,651	0	-4,634,220	619,415	4,014,805	0
Somerset	-240,062	277,050	0	36,988	-895,121	285,445	609,677	0
Talbot	-314,228	221,869	92,359	0	-1,171,665	228,592	943,073	0
Washington	-1,547,056	899,512	647,544	0	-5,768,522	926,768	4,841,754	0
Wicomico	-1,086,797	789,419	297,377	0	-4,052,348	813,339	3,239,009	0
Worcester	-635,780	405,853	229,927	0	-2,370,640	418,151	1,952,488	0
<b>Total</b>	<b>-\$68,322,476</b>	<b>\$37,099,999</b>	<b>\$31,259,465</b>		<b>-\$254,754,588</b>	<b>\$38,224,166</b>	<b>\$216,530,424</b>	

FF: federal funds  
MOE: maintenance of effort

Note: 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 Maintenance of Effort Increase Due to Pension Shift on Counties  
Fiscal 2013 and 2016**

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County	Fiscal 2013					Fiscal 2016						
	MOE Increase Due to Pension Shift	Disparity Grant Supplement	Indemnity Mortgage Recordation Tax	Local Income Reserve Relief	Net Impact	MOE Increase Due to Pension Shift	Disparity Grant Supplement	Indemnity Mortgage Recordation Tax	Local Income Reserve Relief	Restore Police Aid	Restore Health Department Grants	Net Impact
	Allegany	-\$189,796	\$1,632,106	\$107,000	\$245,023	\$1,794,334	-\$2,202,813	\$1,632,106	\$107,000	\$245,023	\$371,239	\$93,324
Anne Arundel	-3,092,946	0	2,925,000	3,355,846	3,187,900	-18,693,986	0	2,925,000	3,355,846	2,672,164	339,872	-9,401,104
Baltimore City	-451,499	10,047,596	400,000	2,104,714	12,100,811	-17,900,753	10,047,596	400,000	2,104,714	0	720,822	-4,627,621
Baltimore	-3,479,937	0	2,100,000	4,839,885	3,459,948	-24,843,168	0	2,100,000	4,839,885	3,868,994	475,034	-13,559,254
Calvert	-900,826	0	550,000	554,364	203,538	-4,754,380	0	550,000	554,364	281,217	41,765	-3,327,033
Caroline	-107,209	685,108	100,000	100,213	778,112	-1,181,637	685,108	100,000	100,213	127,924	54,559	-113,832
Carroll	-1,259,058	0	800,000	1,086,772	627,714	-6,701,824	0	800,000	1,086,772	604,014	129,955	-4,081,083
Cecil	-606,569	0	2,195,000	440,845	2,029,276	-3,943,745	0	2,195,000	440,845	390,053	85,438	-832,408
Charles	-1,241,900	0	1,000,000	822,650	580,750	-6,590,694	0	1,000,000	822,650	523,641	106,291	-4,138,111
Dorchester	-45,147	308,913	185,000	96,702	545,468	-932,325	308,913	185,000	96,702	149,865	44,092	-147,753
Frederick	-1,850,755	0	5,000,000	1,531,193	4,680,438	-9,858,314	0	5,000,000	1,531,193	902,395	160,365	-2,264,361
Garrett	-56,117	406,400	220,000	95,943	666,226	-954,652	406,400	220,000	95,943	86,912	44,508	-100,889
Harford	-1,303,111	0	1,020,000	1,530,887	1,247,776	-8,803,344	0	1,020,000	1,530,887	1,109,743	184,414	-4,958,300
Howard	-3,914,319	0	2,903,000	2,918,127	1,906,808	-17,283,545	0	2,903,000	2,918,127	1,359,623	133,962	-9,968,832
Kent	-37,401	0	70,000	91,369	123,968	-532,542	0	70,000	91,369	80,774	33,872	-256,526
Montgomery	-7,397,129	0	15,000,000	10,503,112	18,105,983	-44,356,785	0	15,000,000	10,503,112	5,958,522	347,429	-12,547,721
Prince George's	-3,153,145	7,628,702	2,500,000	4,097,314	11,072,872	-29,631,799	7,628,702	2,500,000	4,097,314	2,885,582	551,218	-11,968,982
Queen Anne's	-263,742	0	500,000	292,934	529,192	-1,763,314	0	500,000	292,934	168,012	43,579	-758,790
St. Mary's	-641,651	0	500,000	635,562	493,911	-4,014,805	0	500,000	635,562	375,292	84,849	-2,419,102
Somerset	0	381,999	40,000	57,711	479,710	-646,664	381,999	40,000	57,711	98,932	43,647	-24,375
Talbot	-92,359	0	565,000	208,563	681,204	-943,073	0	565,000	208,563	174,000	34,313	38,803
Washington	-647,544	0	455,000	584,688	392,144	-4,841,754	0	455,000	584,688	580,627	143,859	-3,077,579
Wicomico	-297,377	1,567,837	350,000	376,141	1,996,601	-3,239,009	1,567,837	350,000	376,141	450,611	98,791	-395,628
Worcester	-229,927	0	250,000	107,304	127,377	-1,952,488	0	250,000	107,304	260,045	34,165	-1,300,975
<b>Total</b>	<b>-\$31,259,465</b>	<b>\$22,658,662</b>	<b>\$39,735,000</b>	<b>\$36,677,862</b>	<b>\$67,812,059</b>	<b>-\$216,567,411</b>	<b>\$22,658,662</b>	<b>\$39,735,000</b>	<b>\$36,677,862</b>	<b>\$23,480,184</b>	<b>\$4,030,125</b>	<b>-\$89,985,578</b>

MOE: maintenance of effort

## Summary of SB 848 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 MOE, 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. Reporting 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.



**Senate Budget and Taxation Committee**  
**Status as of March 12, 2012**

	<u>FY 2012</u>	<u>FY 2013</u>
<b>Starting General Fund Balance</b>	<b>\$990,115,128</b>	<b>\$273,153,764</b>
<b>Revenues</b>		
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	-19,799,999
Budget Reconciliation Legislation – Transfers	2,800,000	148,553,179
Other Legislation	41,048	442,025,900
Additional Revenues	56,338,475	81,518,452
<b>Subtotal Revenues</b>	<b>\$14,259,841,645</b>	<b>\$15,024,562,532</b>
Net Transfer to the GF from the Rainy Day Fund	0	315,000,000
<b>Subtotal Available Revenues</b>	<b>\$15,249,956,773</b>	<b>\$15,612,716,296</b>
<b>Appropriations</b>		
GF Appropriations	\$14,781,136,445	\$15,727,220,337
Deficiencies	296,711,314	0
Legislative Reductions/Contingent Legislation	-63,910,000	-254,507,198
Estimated Agency Reversions	-37,134,750	-30,000,000
<b>Subtotal Appropriations</b>	<b>\$14,976,803,009</b>	<b>\$15,442,713,139</b>
<b>Closing GF Balance</b>	<b>\$273,153,764</b>	<b>\$170,003,157</b>

BRE: Board of Revenue Estimates  
GF: general funds

## 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
Medicaid	100.8
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%	115.5
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*** **\$427.7**

***Contingent on Failure of SB 152 Transfers and Contingent Reductions***

Eliminate Chesapeake Bay and Coastal Bays 2010 Trust Fund programs	\$25.0
Reduce Police Aid grants by 50%	22.7

***Subtotal*** **\$47.7**

**Grand Total** **\$737.6**

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 Police Aid	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	-\$282,872		\$0	-\$76,708	-\$978,816	\$0	-\$3,700,353
Anne Arundel	0		-2,161,699		-9,042,800	-211,364	-4,466,588	0	-15,882,451
Baltimore City	-6,972,596	-7,754,249	-26,920	-\$10,367,614	-22,396,367	-603,434	-11,566,137	0	-59,687,317
Baltimore	0		-3,158,717		-5,478,127	-525,589	-8,212,938	0	-17,375,371
Calvert	0		-256,918		-2,291,041	-36,742	-1,184,926	0	-3,769,627
Caroline	-685,108	-213,178	-111,678		0	-26,783	-608,735	0	-1,645,483
Carroll	0		-522,107		-2,535,378	-94,122	-2,030,733	0	-5,182,340
Cecil	0		-317,562		0	-70,258	-1,472,640	0	-1,860,460
Charles	0		-400,412		-3,498,074	-86,112	-2,275,912	0	-6,260,510
Dorchester	-308,913	-202,269	-124,370		0	-24,950	-469,360	0	-1,129,862
Frederick	0		-745,587		-6,379,612	-129,825	-3,313,293	0	-10,568,317
Garrett	-406,400	-213,127	-77,303		0	-11,943	-257,891	0	-966,664
Harford	0		-892,870		0	-148,693	-3,068,799	0	-4,110,362
Howard	0		-1,128,229		-5,119,581	-81,224	-3,193,176	0	-9,522,210
Kent	0		-65,400		-137,992	-8,470	-105,274	0	-317,136
Montgomery	0		-4,923,368		-32,796,296	-272,098	-8,339,924	0	-46,331,686
Prince George's	-7,628,702	-2,169,477	-5,847,436	-3,760,902	-38,292,762	-628,925	-12,921,728	0	-71,249,931
Queen Anne's	0		-133,245		-558,377	-13,383	-447,766	0	-1,152,771
St. Mary's	0		-279,459		-226,253	-59,047	-1,367,348	0	-1,932,107
Somerset	-381,999	-490,817	-80,954		0	-26,344	-323,924	0	-1,304,037
Talbot	0		-132,076		0	-10,579	-162,421	0	-305,076
Washington	0		-479,803		0	-115,805	-2,241,776	0	-2,837,384
Wicomico	-1,567,837	-219,704	-332,726		0	-89,673	-1,675,144	0	-3,885,084
Worcester	0		-228,786		0	-14,407	-251,541	0	-494,734
Unallocated	0	0		-6,639,484	0	-1,605,881	0	-5,232,000	-13,477,365
<b>Total State</b>	<b>-\$19,583,662</b>	<b>-\$11,992,672</b>	<b>-\$22,710,491</b>	<b>-\$20,768,000</b>	<b>-\$128,752,660</b>	<b>-\$4,972,359</b>	<b>-\$70,936,790</b>	<b>-\$5,232,000</b>	<b>-\$284,948,634</b>

GCEI: Geographic Cost of Education Index  
GOCCP: Governor's Office of Crime Control and Prevention