

House Appropriations Committee

Report on

House Bill 100 – the Budget Bill

**House Bill 102 – the Budget Reconciliation and
Financing Act**

**Maryland General Assembly
Annapolis, Maryland**

March 11, 2013

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Fiscal 2014 Budget Proposal
Budget Bill (HB 100) and Budget Reconciliation and
Financing Act (HB 102)
As Amended by the House Appropriations Committee

- 1. Closes the Structural Budget Gap, Enhances Funding for Programs, and Builds Up Fund Balances** – The structural gap between revenues and spending is reduced by \$251.0 million, and ongoing revenues now cover 99.0% of spending. Fund balances exceed \$1.1 billion, and there is increased funding for education and programs to stimulate investment in Maryland’s economy.
- 2. Continues to Constrain Spending** – Growth in State spending, excluding federal funds and Rainy Day Fund appropriations, is 2.0%, well under the 3.5 to 4.5% forecasted growth in Maryland personal income for calendar 2013 and 2014.
- 3. Increases Rainy Day Fund Balance** – The proposed budget increases the balance in the State’s Rainy Day Fund from 5.0 to 6.0% of general fund revenues, resulting in an estimated balance of \$921.0 million at the end of fiscal 2014. Budget actions also result in a general fund balance of over \$200.0 million, consistent with the recommendation of the Spending Affordability Committee. Building up these balances will help cushion any negative impacts on the Maryland economy resulting from federal budget actions.
- 4. Maintains the State’s Commitment to the Public Schools** – Total State support for the public schools will be over \$6.0 billion. Distributions to local school systems will increase an estimated \$105.3 million, or 2.1%. There are initiatives to provide school breakfast to an additional 57,000 students, expand early college access programs, and support digital learning. In addition, formula funding will be based on a more accurate measure of income wealth beginning in fiscal 2014. State funding for teachers’ retirement paid on behalf of the local school systems and libraries increases \$100.5 million.

5. **Commits New Funds for School Safety** – This year’s budget includes \$25.0 million for grants to local school systems for school safety and security improvements. In addition, there are funds to support the Center for School Safety under the auspices of the Maryland State Police.
6. **Protects Investments in Higher Education** – Maryland’s State colleges and universities receive about \$1.3 billion in State funds, an increase of \$78.0 million, or 6.5%, over fiscal 2013. This funding will enable the institutions to hold in-state undergraduate tuition increases to 3.0% for the fourth consecutive year. Monies are targeted for course redesign, closing achievement gaps, and increasing college completion. Formula aid for community colleges increases \$12.2 million, or 6.1%.
7. **Enhances Efforts to Spur Investment in the Maryland Economy** – There are additional funds for the Biotechnology and Sustainable Communities Tax Credits. A new cyber security investment tax credit receives funding. The new strategic alliance between the University of Maryland, College Park and University of Maryland, Baltimore receives funding to enhance research, technology transfer, and commercialization.
8. **Supports Expansion of Affordable Health Care to More Marylanders** – Maryland is taking advantage of the opportunity to expand Medicaid coverage under the federal Affordable Care Act. The fiscal 2014 budget assumes \$349.0 million in new federal funds to cover an additional 109,000 individuals. Total Medicaid spending is estimated to be over \$7.0 billion to provide services to almost 1.1 million Marylanders. The Maryland Health Benefits Exchange that will provide a marketplace for individuals and small businesses to purchase affordable health coverage also receives additional funding in fiscal 2013 and 2014.
9. **Recognizes Efforts of State Workforce** – The budget includes funds for a 3.0% cost-of-living adjustment for State employees, and for the first time since 2009, there is funding for employee merit raises.

Budget Summary
Fiscal 2013 and 2014
(\$ in Millions)

General Fund

| | <u>Admin.</u> | <u>APP</u> |
|--|----------------------|-------------------|
| <u>Fiscal 2013</u> | | |
| Ending Balance Before Legislative Action | \$627.2 | \$627.2 |
| Revenues – BRE March Revision | -76.8 | -76.8 |
| Revenues – BRFA | 1.9 | 1.9 |
| Fund Transfers – BRFA | -14.4 | -14.4 |
| Expenditure Reduction – Deficiency Appropriations | 0.0 | 30.7 |
| Adjusted Ending Balance | \$537.9 | \$568.6 |
| <u>Fiscal 2014</u> | | |
| Revenues – BRE Estimate | \$15,351.2 | \$15,351.2 |
| Revenues – BRE March Revision | -38.5 | -38.5 |
| Other Revenues | 28.0 | 28.3 |
| Revenues – BRFA | 8.5 | 2.0 |
| Revenues – New and Enhanced Tax Credits* | -20.5 | -20.5 |
| Fund Transfers – Legislation – BRFA | 89.2 | 89.2 |
| Transfer from Rainy Day Fund | 166.0 | 0.0 |
| Total Revenues and Balance | \$16,121.7 | \$15,980.3 |
| Expenditures – Allowance | \$16,106.0 | \$16,106.0 |
| Expenditure Reductions – Contingent on BRFA | -102.7 | -2.7 |
| Expenditure Reductions | 0.0 | -162.4 |
| Rainy Day Fund – Maintain at 6% of Revenues | 0.0 | -165.0 |
| Total Expenditures | \$16,003.4 | \$15,775.9 |
| Ending Balance (Revenues Less Expenditures) | \$118.3 | \$204.3 |
| SAC Recommended Balance | \$200.0 | \$200.0 |
| Over/Under SAC Balance | -\$81.7 | \$4.3 |

Cash Position

| | | |
|--|------------------|------------------|
| General Fund Balance | \$118.3 | \$204.3 |
| Rainy Day Fund Balance – June 30, 2014 | 921.1 | 920.9 |
| Total | \$1,039.4 | \$1,125.2 |
| Cash and Rainy Day Fund Over 5% | \$271.9 | \$357.8 |

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

SAC: Spending Affordability Committee

*Film and Cyber Security Tax Credit bills proposed by the Administration are being considered by the Ways and Means Committee. Amount reflects the impact if the bills were to pass.

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

Target

| | |
|--|--------------|
| Estimated Structural Gap (December 2012) | \$383 |
| Target Reduction | 200 |

Revenues

| | |
|-----------------------------------|----------|
| | \$15,343 |
| 50% of Transfer Tax | 75 |
| Cyber Tax Credit | -3 |
| Telecomm Revenues to General Fund | -7 |
| Other One-time Items | -2 |

| | |
|-----------------|-----------------|
| Subtotal | \$15,406 |
|-----------------|-----------------|

Spending

| | |
|-----------------------|----------|
| | \$15,776 |
| Rainy Day Fund | -206 |
| One-time Reductions | 1 |
| Pay-as-you-go Capital | -33 |

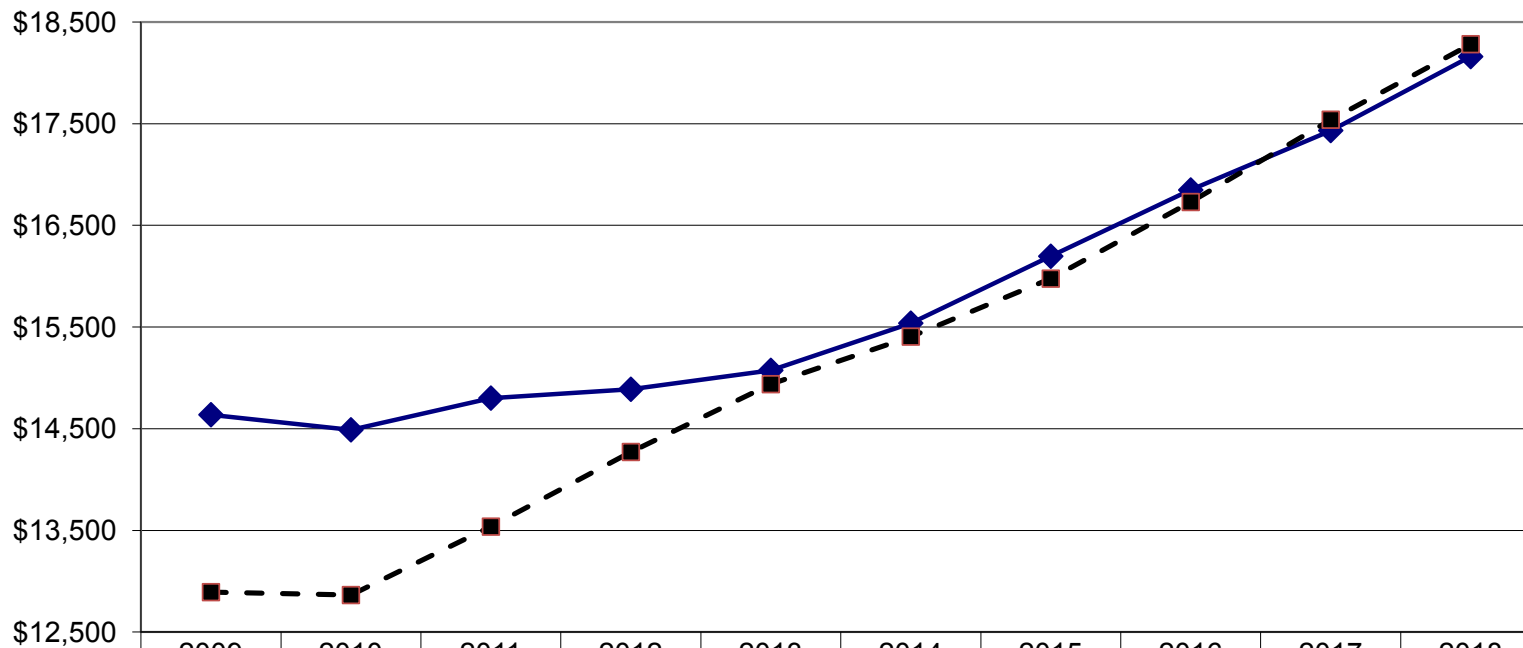
| | |
|-----------------|-----------------|
| Subtotal | \$15,538 |
|-----------------|-----------------|

| | |
|---|--------------|
| Amount Reduced from Structural Shortfall | \$251 |
|---|--------------|

| | |
|-------------------------------------|--------------|
| Remaining Structural Deficit | \$132 |
|-------------------------------------|--------------|

A General Fund Surplus Is Projected by Fiscal 2017

Fiscal 2009-2018 (\$ in Millions)



Fiscal 2009 through 2011 data reflects ongoing general fund spending supplanted by the American Recovery and Reinvestment Act of 2009. Fiscal 2013 data reflects ongoing spending and revenues associated with the Budget Restoration Fund.

**Proposed Budget Reductions
House Bill 100
Fiscal 2014 Budget and Fiscal 2013 Deficiency Appropriations
(\$ in Millions)**

General Funds

| | <u>APP</u> |
|--|-------------------|
| <u>Local Aid</u> | |
| Community College Formula – Consistent with Reduction in Funding for Four-year Institutions | \$1.6 |
| Scale Back New Digital Learning Innovation Fund | 2.5 |
| Student Transportation Funds Should Be Based on Zero Inflation Rate | 2.3 |
| | \$6.3 |
| <u>Medicaid</u> | |
| <i>Increase Fiscal 2013 Reduction – Favorable Trends and Availability of Fiscal 2012 Funds</i> | \$30.7 |
| Provider Reimbursements – Projections Lower Due to Favorable Trends | 8.0 |
| Personnel Savings from Early Takeover of Maryland Medicaid Information System | 1.2 |
| Physician Rate Increases Double Budgeted | 2.0 |
| Less Funding for Federally Qualified Health Center Supplemental Payments | 2.3 |
| Limit Non-emergency Transportation Grant Growth to 6%/Later Chronic Health Homes Start Date | 1.5 |
| | \$45.7 |
| <u>Higher Education</u> | |
| University System of Maryland – Reduction of Proposed Increase in Funding | \$9.5 |
| Reduce Funds for College Park Charter School (USM) | 0.5 |
| Scholarships (\$5 Million) and MHEC Personnel – Funds Redirected from USM Increase | -5.5 |
| Reduce Funding for BCCC and Private Higher Education Due to Reduction in Four-year Funding | 0.6 |
| | \$5.1 |
| <u>State Agencies</u> | |
| Less Judiciary Operating Expenditures | \$2.4 |
| Delete New Positions and Contractual Conversions – Judiciary | 0.9 |
| Scale Back Funding for Second Courtroom Bailiff | 0.5 |
| Judiciary and General Assembly – Lower Employee Health Insurance Costs | 0.5 |
| <i>Energy Administration – Reduce Capital Grants for Commercial/Industrial Retrofits</i> | 4.5 |
| Funding for Beds at Private Psychiatric Hospitals – Mental Hygiene Administration | 1.3 |
| C Charge Local School Systems for Department of Juvenile Services Education Services* | 1.5 |
| C Allow Use of Transfer Tax for Department of Natural Resources Operations* | 1.2 |
| Reduce General Funds for Maryland Economic Assistance Authority and Fund | 1.9 |
| Other Reductions | 1.2 |
| | \$15.7 |
| <u>Debt Service</u> | |
| Bond Premiums from March 2013 Bond Sale Exceed Estimates | \$18.0 |

State Reserve Fund

| | |
|--|----------------|
| <i>Repayment of Transfer Tax That Was Transferred to General Fund in Fiscal 2006*</i> | \$50.0 |
| Delete General Fund Repayment of the Local Income Tax Reserve Account* | 50.0 |
| <i>Reduce Rainy Day Fund Appropriation and Associated Transfer – Maintain at 6% of General Funds</i> | 165.0 |
| <i>No Funds for Government Innovation Fund</i> | 5.0 |
| | \$270.0 |
| Total General Funds | \$360.8 |
| Reductions Also Incorporated in the Governor’s Budget Proposal | 102.7 |
| Total Reductions Proposed in Addition to the Governor’s Proposal | \$258.1 |
| "Structural" Reductions In Addition to Governor's Proposal – Fiscal 2014 | \$52.9 |

Note: Non-structural reductions in italic (not ongoing or fiscal 2013 deficiencies).

Special Funds

| | <u>APP</u> |
|---|-------------------|
| Eliminate Funding for Design of Internet Lottery Sales Website | \$0.4 |
| Reduce MSBDFA Funds to Be Transferred from Small, Minority and Women-Owned Business Account | 2.0 |
| Mass Transit Administration – Reduce Increase for Additional Assistance | 1.5 |
| Reduce Funding for Kidney Disease Program Based on Enrollment Trends | 0.3 |
| Lower Cost Estimates for Integrated Medical Licensure System (Fiscal 2013 Deficiency) | 0.5 |
| No Increase in Textbook Aid for Non-public Schools | 1.1 |
| Other Reductions | 0.7 |
| | \$6.3 |
| <u>Pay-as-you-go Capital</u> | |
| C Reduce Funds for Open Space, Rural Legacy, and Agricultural Land Preservation – Use Bonds* | \$89.2 |
| | \$89.2 |
| Total Special Funds | \$95.5 |

BCCC: Baltimore City Community College
MHEC: Maryland Higher Education Commission
MSBDFA: Maryland Small Business Development Financing Authority
USM: University System of Maryland

*Reductions proposed by the Governor.

C: These Items Are Contingent on Passage of the Budget Reconciliation and Financing Act (HB 102).

State Expenditures – General Funds
(\$ in Millions)

| <u>Category</u> | <u>Actual FY 2012</u> | <u>Adjusted Work. Appr. FY 2013</u> | <u>Allowance FY 2014</u> | <u>APP Reductions</u> | <u>APP Appropriation FY 2014</u> | <u>FY 2013 to FY 2014</u> | |
|-------------------------------------|---------------------------|---|------------------------------|---------------------------|--|---------------------------|-----------------|
| | | | | | | <u>\$ Change</u> | <u>% Change</u> |
| Debt Service | \$0.0 | \$0.0 | \$101.0 | \$18.0 | \$83.0 | \$83.0 | n/a |
| County/Municipal | 186.6 | 159.0 | 238.2 | 0.0 | 238.2 | 79.2 | 49.8% |
| Community Colleges | 263.3 | 252.4 | 286.6 | 1.6 | 285.0 | 32.6 | 12.9% |
| Education/Libraries | 5,616.6 | 5,448.0 | 5,772.8 | 4.8 | 5,768.0 | 320.0 | 5.9% |
| Health | 38.3 | 37.3 | 40.0 | 0.0 | 40.0 | 2.8 | 7.4% |
| Aid to Local Governments | \$6,104.7 | \$5,896.7 | \$6,337.6 | \$6.3 | \$6,331.2 | 434.5 | 7.4% |
| Foster Care Payments | 208.8 | 234.3 | 237.9 | 0.0 | 237.9 | 3.6 | 1.5% |
| Assistance Payments | 69.9 | 101.0 | 76.4 | 0.0 | 76.4 | -24.6 | -24.3% |
| Medical Assistance | 2,462.9 | 2,312.1 | 2,348.2 | 15.0 | 2,333.3 | 21.2 | 0.9% |
| Property Tax Credits | 81.8 | 82.0 | 80.2 | 0.0 | 80.2 | -1.7 | -2.1% |
| Entitlements | \$2,823.3 | \$2,729.4 | \$2,742.8 | \$15.0 | \$2,727.9 | -1.5 | -0.1% |
| Health | 1,449.7 | 1,471.4 | 1,542.1 | 1.7 | 1,540.4 | 69.0 | 4.7% |
| Human Resources | 323.4 | 325.6 | 333.4 | 0.0 | 333.4 | 7.8 | 2.4% |
| Children's Cabinet Interagency Fund | 21.2 | 16.9 | 21.5 | 0.0 | 21.5 | 4.6 | 27.0% |
| Juvenile Services | 269.2 | 270.2 | 280.3 | 0.0 | 280.3 | 10.1 | 3.8% |
| Public Safety/Police | 1,273.9 | 1,316.0 | 1,345.5 | 0.3 | 1,345.2 | 29.2 | 2.2% |
| Higher Education | 1,136.7 | 1,105.3 | 1,213.8 | 10.3 | 1,203.4 | 98.1 | 8.9% |
| Other Education | 382.3 | 370.2 | 370.6 | -3.7 | 374.4 | 4.2 | 1.1% |
| Agric./Nat'l. Res./Environment | 104.1 | 109.6 | 113.0 | 1.2 | 111.8 | 2.2 | 2.0% |
| Other Executive Agencies | 541.6 | 591.7 | 720.3 | 2.2 | 718.0 | 126.3 | 21.3% |
| Legislative | 76.8 | 78.3 | 80.6 | 0.1 | 80.5 | 2.1 | 2.7% |
| Judiciary | 374.3 | 387.4 | 409.9 | 4.1 | 405.7 | 18.3 | 4.7% |
| State Agencies | \$5,953.1 | \$6,042.7 | \$6,430.9 | \$16.3 | \$6,414.7 | \$372.0 | 6.2% |
| Total Operating | \$14,881.2 | \$14,668.8 | \$15,612.4 | \$55.6 | \$15,556.8 | \$888.0 | 6.1% |
| Capital ⁽¹⁾ | 54.5 | 0.7 | 47.4 | 4.5 | 42.9 | 42.2 | 6030.6% |
| Subtotal | \$14,935.7 | \$14,669.5 | \$15,659.8 | \$60.1 | \$15,599.7 | \$930.2 | 6.3% |
| Reserve Funds | 15.0 | 27.8 | 476.3 | 270.0 | 206.3 | 178.5 | 643.1% |
| Appropriations | \$14,950.7 | \$14,697.2 | \$16,136.0 | \$330.1 | \$15,805.9 | \$1,108.7 | 7.5% |
| Reversions | 0.0 | -30.0 | -30.0 | 0.0 | -30.0 | 0.0 | 0.0% |
| Grand Total | \$14,950.7 | \$14,667.2 | \$16,106.0 | \$330.1 | \$15,775.9 | \$1,108.7 | 7.6% |

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

Note: The fiscal 2013 adjusted working appropriation includes deficiencies, \$19.6 million in targeted reversions and House Appropriations Committee reductions to the deficiencies. The fiscal 2014 allowance includes \$5.0 million in reductions from Section 19 of the budget bill (HB 100). The House Appropriations Committee actions include \$2.7 million in reductions contingent on the Budget Reconciliation and Financing Act of 2013 (HB 102).

State Expenditures – State Funds
(\$ in Millions)

| <u>Category</u> | <u>Actual FY 2012</u> | <u>Adjusted Work. Appr. FY 2013</u> | <u>Allowance FY 2014</u> | <u>APP Reductions & Fund Swaps</u> | <u>APP Appropriation FY 2014</u> | <u>FY 2013 to FY 2014</u> | |
|-------------------------------------|---------------------------|---|------------------------------|--|--|---------------------------|-----------------|
| | | | | | | <u>\$ Change</u> | <u>% Change</u> |
| Debt Service | \$1,039.1 | \$1,102.4 | \$1,183.4 | \$0.0 | \$1,183.4 | \$81.0 | 7.3% |
| County/Municipal | 378.5 | 444.8 | 530.7 | 23.7 | 507.0 | 62.2 | 14.0% |
| Community Colleges | 263.3 | 272.3 | 286.6 | 1.6 | 285.0 | 12.7 | 4.7% |
| Education/Libraries | 5,707.7 | 5,870.2 | 6,113.1 | 4.8 | 6,108.3 | 238.1 | 4.1% |
| Health | 38.3 | 38.1 | 40.0 | 0.0 | 40.0 | 2.0 | 5.3% |
| Aid to Local Governments | \$6,387.8 | \$6,625.3 | \$6,970.4 | \$30.1 | \$6,940.3 | \$315.0 | 4.8% |
| Foster Care Payments | 213.4 | 236.8 | 243.0 | 0.0 | 243.0 | 6.2 | 2.6% |
| Assistance Payments | 94.0 | 120.4 | 95.0 | 0.0 | 95.0 | -25.4 | -21.1% |
| Medical Assistance | 3,300.7 | 3,340.2 | 3,252.0 | 15.2 | 3,236.8 | -103.4 | -3.1% |
| Property Tax Credits | 81.8 | 82.0 | 80.2 | 0.0 | 80.2 | -1.7 | -2.1% |
| Entitlements | \$3,689.9 | \$3,779.4 | \$3,670.2 | \$15.2 | \$3,655.0 | -\$124.3 | -3.3% |
| Health | 1,910.5 | 2,012.3 | 2,068.3 | 1.6 | 2,066.8 | 54.5 | 2.7% |
| Human Resources | 407.2 | 408.3 | 411.2 | 0.5 | 410.8 | 2.5 | 0.6% |
| Children's Cabinet Interagency Fund | 21.2 | 16.9 | 21.5 | 0.0 | 21.5 | 4.6 | 27.0% |
| Juvenile Services | 273.8 | 274.6 | 284.8 | 0.0 | 284.8 | 10.2 | 3.7% |
| Public Safety/Police | 1,482.9 | 1,535.3 | 1,567.4 | 0.3 | 1,567.1 | 31.8 | 2.1% |
| Higher Education | 4,975.6 | 5,218.0 | 5,360.6 | 10.3 | 5,350.3 | 132.3 | 2.5% |
| Other Education | 447.0 | 464.3 | 440.6 | -4.1 | 444.6 | -19.7 | -4.2% |
| Transportation | 1,471.9 | 1,522.5 | 1,579.4 | 1.6 | 1,577.8 | 55.3 | 3.6% |
| Agric./Nat'l. Res./Environment | 298.1 | 323.3 | 334.1 | 0.0 | 334.1 | 10.7 | 3.3% |
| Other Executive Agencies | 1,019.6 | 1,324.1 | 1,263.0 | 4.6 | 1,258.4 | -65.7 | -5.0% |
| Legislative | 76.8 | 78.8 | 80.6 | 0.1 | 80.5 | 1.7 | 2.2% |
| Judiciary | 419.3 | 446.0 | 463.8 | 4.1 | 459.7 | 13.7 | 3.1% |
| State Agencies | \$12,804.2 | \$13,624.4 | \$13,875.3 | \$19.0 | \$13,856.3 | \$231.9 | 1.7% |
| Total Operating | \$23,920.9 | \$25,131.5 | \$25,699.3 | \$64.3 | \$25,635.1 | \$503.6 | 2.0% |
| Capital ⁽¹⁾ | 920.5 | 1,345.6 | 1,453.6 | 71.2 | 1,382.4 | 36.8 | 2.7% |
| Subtotal | \$24,841.4 | \$26,477.1 | \$27,153.0 | \$135.4 | \$27,017.5 | \$540.4 | 2.0% |
| Reserve Funds | 15.0 | 27.8 | 476.3 | 270.0 | 206.3 | 178.5 | 643.1% |
| Appropriations | \$24,856.4 | \$26,504.8 | \$27,629.2 | \$405.4 | \$27,223.8 | \$718.9 | 2.7% |
| Reversions | 0.0 | -30.0 | -30.0 | 0.0 | -30.0 | 0.0 | 0.0% |
| Grand Total | \$24,856.4 | \$26,474.8 | \$27,599.2 | \$405.4 | \$27,193.8 | \$718.9 | 2.7% |

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

Note: The fiscal 2013 adjusted working appropriation reflects deficiencies, \$19.6 million in targeted reversions, \$430.3 million from the Budget Restoration Fund and House Appropriations Committee reductions to the deficiencies. The fiscal 2014 allowance includes \$6.4 million in reductions from Section 19 of the budget bill (HB 100). The fiscal 2014 House Appropriations Committee actions include \$425.2 million in reductions (\$91.9 million contingent on the Budget Reconciliation and Financing Act of 2013) and \$19.7 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds
(\$ in Millions)

| <u>Category</u> | <u>Actual FY 2012</u> | <u>Adjusted Work. Appr. FY 2013</u> | <u>Allowance FY 2014</u> | <u>APP Reductions & Fund Swaps</u> | <u>APP Appropriation FY 2014</u> | <u>FY 2013 to FY 2014 \$ Change</u> | <u>% Change</u> |
|-------------------------------------|---------------------------|---|------------------------------|--|--|---|-----------------|
| Debt Service | \$1,050.6 | \$1,114.6 | \$1,195.8 | \$0.0 | \$1,195.8 | \$81.2 | 7.3% |
| County/Municipal | 481.5 | 496.6 | 590.0 | 23.7 | 566.2 | 69.6 | 14.0% |
| Community Colleges | 263.3 | 272.3 | 286.6 | 1.6 | 285.0 | 12.7 | 4.7% |
| Education/Libraries | 6,471.3 | 6,667.1 | 6,867.4 | 4.8 | 6,862.6 | 195.5 | 2.9% |
| Health | 42.8 | 42.5 | 44.5 | 0.0 | 44.5 | 2.0 | 4.7% |
| Aid to Local Governments | \$7,258.9 | \$7,478.6 | \$7,788.5 | \$30.1 | \$7,758.4 | \$279.8 | 3.7% |
| Foster Care Payments | 306.4 | 316.4 | 327.0 | 0.0 | 327.0 | 10.6 | 3.4% |
| Assistance Payments | 1,301.5 | 1,237.8 | 1,292.7 | 0.0 | 1,292.7 | 54.9 | 4.4% |
| Medical Assistance | 6,665.8 | 6,822.9 | 7,188.6 | 40.5 | 7,148.1 | 325.2 | 4.8% |
| Property Tax Credits | 81.8 | 82.0 | 80.2 | 0.0 | 80.2 | -1.7 | -2.1% |
| Entitlements | \$8,355.5 | \$8,459.0 | \$8,888.5 | \$40.5 | \$8,848.1 | \$389.0 | 4.6% |
| Health | 3,010.8 | 3,228.4 | 3,377.8 | 1.6 | 3,376.1 | 147.7 | 4.6% |
| Human Resources | 846.1 | 921.0 | 932.1 | 1.4 | 930.7 | 9.7 | 1.1% |
| Children's Cabinet Interagency Fund | 21.2 | 16.9 | 21.5 | 0.0 | 21.5 | 4.6 | 27.0% |
| Juvenile Services | 285.6 | 282.9 | 292.9 | 0.7 | 292.2 | 9.3 | 3.3% |
| Public Safety/Police | 1,518.1 | 1,564.5 | 1,593.7 | 0.3 | 1,593.4 | 29.0 | 1.9% |
| Higher Education | 4,975.6 | 5,218.0 | 5,360.6 | 10.3 | 5,350.3 | 132.3 | 2.5% |
| Other Education | 677.7 | 734.2 | 684.1 | -4.1 | 688.2 | -46.0 | -6.3% |
| Transportation | 1,564.7 | 1,608.0 | 1,676.5 | 1.6 | 1,674.9 | 66.9 | 4.2% |
| Agric./Nat'l. Res./Environment | 364.6 | 396.1 | 400.0 | 0.0 | 400.0 | 4.0 | 1.0% |
| Other Executive Agencies | 1,661.8 | 1,879.3 | 1,805.6 | 4.6 | 1,801.0 | -78.3 | -4.2% |
| Legislative | 76.8 | 78.8 | 80.6 | 0.1 | 80.5 | 1.7 | 2.2% |
| Judiciary | 423.8 | 451.9 | 468.0 | 4.1 | 463.9 | 11.9 | 2.6% |
| State Agencies | \$15,426.9 | \$16,380.0 | \$16,693.5 | \$20.7 | \$16,672.8 | \$292.8 | 1.8% |
| Total Operating | \$32,091.8 | \$33,432.2 | \$34,566.2 | \$91.2 | \$34,475.0 | \$1,042.9 | 3.1% |
| Capital ⁽¹⁾ | 1,808.0 | 2,284.4 | 2,395.0 | 71.2 | 2,323.9 | 39.4 | 1.7% |
| Subtotal | \$33,899.7 | \$35,716.6 | \$36,961.3 | \$162.4 | \$36,798.9 | \$1,082.3 | 3.0% |
| Reserve Funds | 15.0 | 27.8 | 476.3 | 270.0 | 206.3 | 178.5 | 643.1% |
| Appropriations | \$33,914.7 | \$35,744.3 | \$37,437.5 | \$432.4 | \$37,005.1 | \$1,260.8 | 3.5% |
| Reversions | 0.0 | -30.0 | -30.0 | 0.0 | -30.0 | 0.0 | 0.0% |
| Grand Total | \$33,914.7 | \$35,714.3 | \$37,407.5 | \$432.4 | \$36,975.1 | \$1,260.8 | 3.5% |

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

Note: The fiscal 2013 adjusted working appropriation reflects deficiencies, \$19.6 million in targeted reversions, \$430.3 million from the Budget Restoration Fund and House Appropriations Committee reductions to the deficiencies. The fiscal 2014 allowance includes \$7.4 million in reductions from Section 19 of the budget bill (HB 100). The fiscal 2014 House Appropriations Committee actions include \$452.1 million in reductions (\$91.9 million contingent on the Budget Reconciliation and Financing Act of 2013) and \$19.7 million in additional special fund spending due to funding swaps.

Fiscal Note Summary of the Budget Bill – House Bill 100

| | <u>General Funds</u> | <u>Special Funds</u> | <u>Federal Funds</u> | <u>Education Funds</u> | <u>Total Funds</u> |
|--|------------------------|----------------------------|----------------------|------------------------|---------------------------------|
| Governor's Allowance | | | | | |
| Fiscal 2013 Budget | \$14,697,932,395 | \$7,805,388,992 | \$9,270,210,947 | \$4,002,676,885 | \$35,776,209,219 ⁽¹⁾ |
| Fiscal 2014 Budget | 16,106,026,286 | 7,436,262,756 | 9,808,326,259 | 4,056,925,242 | 37,407,540,543 ⁽²⁾ |
| Budget Reconciliation and Financing Act of 2013 | | | | | |
| Fiscal 2013 Deficiencies | \$0 | \$0 | \$0 | \$0 | \$0 |
| Fiscal 2014 Contingent Reductions | -2,675,671 | -69,489,667 ⁽³⁾ | 0 | 0 | -72,165,338 |
| Subtotal | -\$2,675,671 | -\$69,489,667 | \$0 | \$0 | -\$72,165,338 |
| House Appropriations Committee Reductions | | | | | |
| Fiscal 2013 Deficiencies | -\$30,700,000 | -\$468,000 | -\$30,700,000 | \$0 | -\$61,868,000 |
| Fiscal 2014 Budget | -327,401,942 | -5,878,494 | -26,953,011 | 0 | -360,233,447 |
| Total Reductions | -\$358,101,942 | -\$6,346,494 | -\$57,653,011 | \$0 | -\$422,101,447 |
| Appropriations | | | | | |
| Fiscal 2013 Budget | \$14,667,232,395 | \$7,804,920,992 | \$9,239,510,947 | \$4,002,676,885 | \$35,714,341,219 |
| Fiscal 2014 Budget | 15,775,948,673 | 7,360,894,595 | 9,781,373,248 | 4,056,925,242 | 36,975,141,758 |
| Change | \$1,108,716,278 | -\$444,026,397 | \$541,862,301 | \$54,248,357 | \$1,260,800,539 |

⁽¹⁾ Reflects \$103.0 million in proposed deficiencies, including \$124.6 million in general funds, \$44.5 million in special funds, -\$66.1 million in federal funds. Reversion assumptions total \$49.6 million, including \$30.0 million in unspecified reversions and \$19.6 million in targeted reversions.

⁽²⁾ Reflects estimated general fund reversions of \$30.0 million and across-the-board reductions for overbudgeted health insurance.

⁽³⁾ Includes \$19.7 million in special funds that will be added back to the budget by budget amendment to replace general fund reductions.

General Fund Revenues
2013 Session Legislation
Proposed Under the Governor's Budget Plan
(\$ in Millions)

Budget Reconciliation and Financing Act (HB 102)

| | <u>Admin.</u> | <u>APP</u> |
|---|---------------|--------------|
| <u>Fiscal 2013 Revenues</u> | | |
| Electronic Bingo/Tip Jar Monies from Cultural Arts Fund to General Fund | \$1.9 | \$1.9 |
| Total Fiscal 2013 Revenues | \$1.9 | \$1.9 |
| <u>Fiscal 2014 Revenues</u> | | |
| Electronic Bingo/Tip Jar Monies from Cultural Arts Fund to General Fund | \$2.0 | \$2.0 |
| Repeal Maryland Mined Coal Tax Credit | 6.0 | 0.0 |
| Abandoned Property – Repeal Requirement to Notify in Newspapers | 0.5 | 0.0 |
| Total – BRFA | \$8.5 | \$2.0 |

Other Legislation Pending Before Ways and Means Committee

| | | |
|---|----------------|--|
| Film Production Activity Tax Credit (SB 183) | -\$17.5 | |
| Research and Development Tax Credit (HB 751)* | 0.0 | |
| Cyber Security Tax Credit (HB 803) | -3.0 | |
| Total – Other Legislation | -\$20.5 | |

BRFA: Budget Reconciliation and Financing Act

HB: House Bill

SB: Senate Bill

*Fiscal impact in fiscal 2015 is about \$700,000, increasing to \$1.5 million by fiscal 2017.

**General Fund Reductions and Transfers Contingent on
Budget Reconciliation and Financing Act of 2013 (HB 102)**
(\$ in Millions)

| | <u>Admin.</u> | <u>APP</u> |
|---|----------------|----------------|
| Contingent Reductions (Fiscal 2014) | | |
| Charge Local School Systems for DJS Education Services | \$1.5 | \$1.5 |
| Allow Use of Transfer Tax for Department of Natural Resources Operations | 1.2 | 1.2 |
| Defer Repayment of Fiscal 2006 Transfer of the Transfer Tax to the General Fund | 50.0 | 0.0 |
| Eliminate Requirement to Pay Back Transfer from the Local Income Tax Reserve | 50.0 | 0.0 |
| Total Reductions | \$102.7 | \$2.7 |
| | | |
| Fiscal 2013 Transfers | | |
| State Insurance Trust Fund – State Treasurer | \$1.0 | \$1.0 |
| Local Reserve Account to Be Used for Municipal Transportation Grants | -15.4 | -15.4 |
| Total Transfers | -\$14.4 | -\$14.4 |
| | | |
| Fiscal 2014 Transfers | | |
| Portion of State Transfer Tax Revenues to the General Fund | \$89.2 | \$89.2 |

DJS: Department of Juvenile Services

Fiscal 2014 through 2020 Special Fund Transfers and General Obligation Bond Replacement Plan Proposed by the Governor

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>Total</u> |
|--|----------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|
| Transfer Tax Transferred to the General Fund (HB 102 – BRFA) | \$89.2 | \$75.1 | \$77.7 | \$82.8 | \$86.0 | \$0.0 | \$0.0 | \$410.7 |
| Transfer Tax to Programs | \$37.4 | \$75.1 | \$77.7 | \$82.8 | \$86.0 | n/a | n/a | \$358.9 |
| GO Bond Replacement to Programs | 9.0 | 37.3 | 74.8 | 76.4 | 80.0 | 84.4 | 43.0 | 404.9 |
| Prior GO Bond Replacement to Programs | 55.0 | 29.8 | 0.0 | 0.0 | 0.0 | | | 84.8 |
| Total Funding to Programs | \$101.5 | \$142.1 | \$152.4 | \$159.1 | \$166.1 | \$84.4 | \$43.0 | \$848.6 |

BRFA: Budget Reconciliation and Financing Act
GO: general obligation

Fiscal 2014: Transfer 67% of the capital eligible transfer tax allocations for land preservation programs and 100% of the capital eligible transfer tax allocation for capital development programs to the general fund. Under the Governor’s budget plan, bond replacement for land preservation programs is pre-authorized for fiscal 2015 and 2016 in the capital budget bill (HB 101).

Fiscal 2015-2018: Transfer an amount estimated to be 50% of the capital eligible transfer tax allocation to the general fund and replace with GO bonds in the following two fiscal years. Bond replacements are pre-authorized in the capital budget bill (HB 101) submitted by the Governor.

Note: Transfer tax revenue estimates for fiscal 2019 and 2020 are unavailable to reflect estimates of program funding.

Estimated VLT and Table Game Revenues
Fiscal 2014-2018
(\$ in Millions)

| | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> |
|--------------------------------------|----------------|------------------|------------------|------------------|------------------|
| Video Lottery Terminals (VLT) | | | | | |
| Education Trust Fund (ETF) | \$296.9 | \$477.7 | \$484.0 | \$534.3 | \$561.1 |
| Lottery Operations | 12.3 | 18.1 | 11.4 | 14.0 | 14.6 |
| Purse Dedication Account | 42.3 | 71.0 | 76.2 | 81.1 | 85.0 |
| Racetrack Renewal Account | 10.4 | 10.1 | 10.8 | 13.4 | 14.0 |
| Local Impact Grants | 33.4 | 56.0 | 60.1 | 74.4 | 78.0 |
| Business Investment | 9.1 | 15.3 | 16.4 | 20.3 | 21.3 |
| Licenses | 212.2 | 382.0 | 448.3 | 630.7 | 659.9 |
| Total VLTs | \$616.6 | \$1,030.1 | \$1,107.2 | \$1,368.2 | \$1,434.0 |
| Table Games | | | | | |
| Education Trust Fund | \$25.4 | \$44.2 | \$47.6 | \$48.0 | \$50.3 |
| Local Impact Grants | - | - | - | 15.9 | 16.8 |
| Licensee | 101.5 | 176.8 | 190.5 | 255.9 | 268.1 |
| Total Table Games | \$126.9 | \$221.1 | \$238.1 | \$319.8 | \$335.1 |
| Total VLT and Table Games | \$743.5 | \$1,251.2 | \$1,345.3 | \$1,688.0 | \$1,769.1 |
| Total Education Trust Fund* | \$340.3 | \$521.9 | \$531.6 | \$582.4 | \$611.4 |
| VLT Lease Savings to ETF | | | \$34.4 | \$59.1 | \$57.7 |

*Fiscal 2014 includes \$18 million in initial license fees for Prince George's County license.

Source: Department of Legislative Services

House Appropriations Committee Status as of March 11, 2013

| | <u>FY 2013</u> | <u>FY 2014</u> |
|---|-------------------------|-------------------------|
| Starting General Fund Balance | \$551,152,508 | \$568,621,792 |
| Revenues | | |
| BRE Estimated Revenues – December 2012 | \$14,725,564,600 | \$15,351,176,000 |
| BRE Revenue Revision – March 2013 | -76,792,000 | -38,513,000 |
| Prior Budget Reconciliation Legislation | 3,205,036 | 0 |
| Budget Reconciliation Legislation – Revenues | 1,900,500 | 1,957,500 |
| Budget Reconciliation Legislation – Transfers | 1,000,000 | 89,198,555 |
| Other Legislation | 0 | -20,500,000 |
| Additional Revenues | 29,823,543 | 28,319,519 |
| Subtotal Revenues | \$14,684,701,679 | \$15,411,638,574 |
| Subtotal Available Revenues | \$15,235,854,187 | \$15,980,260,366 |
| Appropriations | | |
| GF Appropriations | \$14,623,003,880 | \$16,136,026,286 |
| Deficiencies | 124,574,487 | 0 |
| Legislative Reductions/Contingent Legislation | -30,700,000 | -330,077,613 |
| Estimated Agency Reversions | -49,645,972 | -30,000,000 |
| Subtotal Appropriations | \$14,667,232,395 | \$15,775,948,673 |
| Closing General Fund Balance | \$568,621,792 | \$204,311,693 |

BRE: Board of Revenue Estimates
GF: general fund

House Appropriations Committee Action on the Budget Reconciliation and Financing Act of 2013 (HB 102)

The Budget Reconciliation and Financing Act of 2013, as amended¹ by the House Appropriations Committee, accomplishes the following for the general fund:

| | |
|------------------------------------|-----------------------|
| Fiscal 2013 Fund Transfers | -\$14.4 million |
| Fiscal 2014 Fund Transfers | 89.2 million |
| Fiscal 2013 Revenues | 1.9 million |
| Fiscal 2014 Revenues | 2.0 million |
| Fiscal 2014 Expenditure Reductions | 2.7 million |
| Total Budgetary Action | \$81.4 million |

| |
|---------------|
| Amend. No. |
|---------------|

Modifies the distribution of racing revenue impact aid to provide for pro-rata allocations of local impact grants if revenues are insufficient (Committee Reprint, pages 4-5)

Strikes a provision that would repeal 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 (pages 5-7)

| |
|---|
| 2 |
|---|

Makes the imposition of the \$7.50 surcharge for moving violations a mandatory surcharge to the fine, rather than a court cost that may be waived (pages 7-8, 12)

| |
|---|
| 3 |
|---|

Technical amendment to the source of revenue available to the Special Fund for the Preservation of Cultural Arts, consistent with the action to redirect certain admission and amusement taxes to the general fund (pages 8-9)

| |
|---|
| 4 |
|---|

Requires county boards of education to reimburse the Department of Juvenile Services a portion of the costs to educate a child in detention in a facility for 15 consecutive days or more (page 9)

Program Open Space – continues the authorization through fiscal 2015 that \$1.2 million of the State share may be used for program administration expenses in the Department of Natural Resources, the Department of General Services, and the Department of Planning (page 9)

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

Major Information Technology Projects – modify the requirements for new projects to include those undertaken via memoranda of understanding with public institutions of higher education (pages 9-10)

5

Instant Ticket Lottery Machines – repeals the requirement that veterans’ organizations purchase or lease machines from the State Lottery and Gaming Control Agency (page 10)

6

Repeals the provision that directs 5% of the admissions and amusement tax on electronic bingo and electronic tip jars to the Special Fund for the Preservation of Cultural Arts in Maryland and directs that share to the general fund (pages 10-11)

Repeals the requirement that the State repay \$50.0 million annually, from fiscal 2014 to 2020, to replenish the Local Income Tax Reserve Account (page 11)

From the Local Reserve Account held by the Comptroller, \$15.4 million to a special fund in the Department of Transportation to provide transportation grants to municipalities (page 11)

Defers until fiscal 2016 the requirement that transfer tax funds diverted to the general fund in fiscal 2006 be repaid by unappropriated general fund balance in excess of \$10.0 million (pages 11-12)

Directs a portion of transfer tax revenues to the general fund: \$89.2 million in fiscal 2014; \$75.1 million in fiscal 2015; \$77.7 million in fiscal 2016; \$82.8 million in fiscal 2017; and \$86.0 million in fiscal 2018 (page 12)

Sustainable Communities Tax Credit – repeals certain credits authorized prior to fiscal 2006 and authorizes the transfer of \$430,000 from the tax credit reserve fund to the general fund for three expired fiscal 2007 projects (pages 12-13, 15)

7

Maryland-mined Coal Tax Credit – strikes a provision that would repeal the credit effective January 1, 2013 (pages 14, 16)

8

From the balance in the State Insurance Trust Fund, \$1.0 million to the general fund in fiscal 2013 (page 14)

Strikes a provision that would transfer \$2.0 million from the Small, Minority, Women-Owned Business Account, established with the revenues from the video lottery terminal program, to the Maryland Small Business Development Financing Authority in fiscal 2014 (page 14)

9

Limits, for fiscal 2014, the increase in rates paid to providers of nonpublic placements to 2.5% over the rates in effect on January 16, 2013 (page 14)

Limits, for fiscal 2014, the increase in rates paid to providers with rates set by the Interagency Rates Committee to 2.5% over the rates in effect on January 16, 2013 (page 14)

Requires the Health Services Cost Review Commission to study the projected savings that will accrue to Medicaid through the application of tiered rates for hospital outpatient and emergency department services and to take certain action to ensure that general fund savings of \$30.0 million are realized for fiscal 2014 (pages 14-15)

Mental Hygiene Administration – restricts \$2.1 million in fiscal 2013 general funds to be used only to increase specialty physician rates for evaluation and management activities effective January 1, 2013 (page 16)

10

Mental Hygiene Administration – restricts \$4.2 million in fiscal 2013 general funds to be used only to eliminate the fiscal 2012 unprovided for payables that had been carried into fiscal 2013 (page 16)

11

Aid to Education – restricts any surplus fiscal 2013 general funds in the Nonpublic Placement Program and the Out of County Living Arrangements Program to be used only to cover an anticipated deficiency in the Quality Teacher Incentive Program (page 16)

12

Special Fund for the Preservation of Cultural Arts – transfers the remaining balance in the fund as of June 30, 2013, to the general fund (page 16)

13

Technical Amendments:

- *Purpose and function paragraphs*
- *Renumbering*

1

14