

Senate Budget and Taxation Committee

Report on

House Bill 100 – the Budget Bill

and

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

**Maryland General Assembly
Annapolis, Maryland**

March 18, 2013

Contents

	<u>Page</u>
Fiscal 2014 Budget Proposal – Budget Bill (HB 100) and the Budget Reconciliation and Financing Act (HB 102) as Amended by the Senate Budget and Taxation Committee	1
Budget Summary.....	3
Spending Affordability Analysis – Senate Budget and Taxation Committee.	4
A General Fund Structural Surplus Is Projected by Fiscal 2017	5
Proposed Budget Reductions – House Bill 100.....	6
State Expenditures – General Funds.....	8
State Expenditures – State Funds.....	9
State Expenditures – All Funds	10
Fiscal Note – Summary of the Budget Bill – House Bill 100	11
General Fund Revenues – 2013 Session Legislation – Proposed Under the Governor’s Budget Plan	12
General Fund Reductions and Transfers Contingent on Budget Reconciliation and Financing Act of 2013 (HB 102)	13
Fiscal 2014 through 2020 Special Fund Transfers and General Obligation Bond Replacement Plan Proposed by the Governor	14
Estimated VLT and Table Game Revenues	15
Senate Budget and Taxation Committee – Status as of March 18, 2013	16
Senate Budget and Taxation Committee Action on the Budget Reconciliation and Financing Act of 2013 (HB 102)	17

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

- 1. Virtually Eliminates the Structural Budget Gap, Enhances Funding for Programs, and Builds Up Fund Balances** – The structural gap between revenues and spending is reduced by \$331.0 million, and ongoing revenues now cover 99.7% of spending. Fund balances exceed \$1.2 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 1.7%, 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 5.5% of general fund revenues, resulting in an estimated balance of \$845.0 million at the end of fiscal 2014. Budget actions also result in a general fund balance of over \$350.0 million, well above the \$200.0 million minimum recommended by 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 \$106.8 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. State funding for teachers’ retirement paid on behalf of the local school systems and libraries increases \$37.1 million, or 4.8%.

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. **Increases Investment in Higher Education** – Maryland’s State colleges and universities receive about \$1.3 billion in State funds, an increase of \$87.7 million, or 7.3%, 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 \$13.7 million, or 6.9%.
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>House</u>	<u>B&T</u>
<u>Fiscal 2013</u>			
Ending Balance Before Legislative Action	\$627.2	\$627.2	\$627.2
Revenues – BRE March Revision	-76.8	-76.8	-76.8
Revenues – BRFA	1.9	1.9	1.9
Fund Transfers – BRFA	-14.4	-14.4	-14.4
Expenditure Reduction – Deficiency Appropriations	0.0	30.7	30.7
Adjusted Ending Balance	\$537.9	\$568.6	\$568.6
<u>Fiscal 2014</u>			
Revenues – BRE Estimate	\$15,351.2	\$15,351.2	\$15,351.2
Revenues – BRE March Revision	-38.5	-38.5	-38.5
Other Revenues	28.0	28.3	28.3
Revenues – BRFA	8.5	2.0	0.0
Revenues – New and Enhanced Tax Credits*	-20.5	-20.5	-20.5
Fund Transfers – Legislation – BRFA	89.2	89.2	89.2
Transfer from Rainy Day Fund	166.0	0.0	0.0
Total Revenues and Balance	\$16,121.7	\$15,980.3	\$15,978.3
Expenditures – Allowance	\$16,106.0	\$16,106.0	\$16,106.0
Expenditure Reductions – Contingent on BRFA	-102.7	-2.7	-89.8
Expenditure Reductions	0.0	-162.4	-157.0
Rainy Day Fund	0.0	-165.0	-240.0
Total Expenditures	\$16,003.4	\$15,775.9	\$15,619.3
Ending Balance (Revenues Less Expenditures)	\$118.3	\$204.3	\$359.0
SAC Recommended Balance	\$200.0	\$200.0	\$200.0
Over/Under SAC Balance	-\$81.7	\$4.3	\$159.0

Cash Position

General Fund Balance	\$118.3	\$204.3	\$359.0
Rainy Day Fund Balance – June 30, 2014	921.1	920.9	844.8
Total	\$1,039.4	\$1,125.2	\$1,203.8
Cash and Rainy Day Fund Over 5%	\$271.9	\$357.8	\$436.2

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

SAC: Spending Affordability Committee

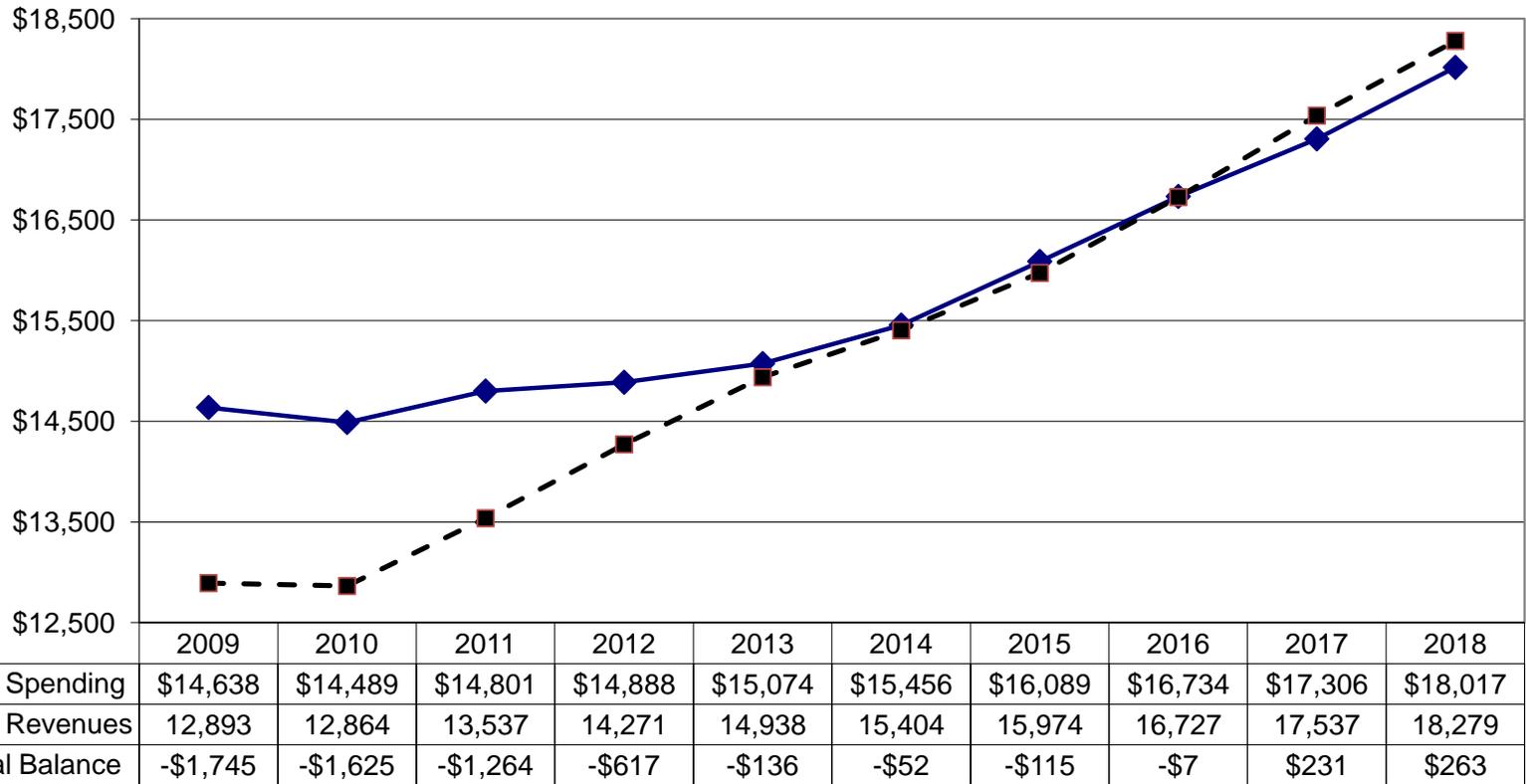
*Film and Cyber Security Tax Credit bills proposed by the Administration are being considered by the Ways and Means Committee. Amount reflects the impact if the bills were to pass.

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

Target		
Estimated Structural Gap (December 2012)		\$383
Target Reduction		200
Revenues	15,341	
50% of Transfer Tax	75	
Cyber Tax Credit	-3	
Telecomm. Revenues to General Fund	-7	
Other One-time Items	-2	
Subtotal		\$15,404
Spending	15,619	
Rainy Day Fund	-131	
Use Program Open Space for Administration	1	
Pay-as-you-go Capital	-33	
Subtotal		\$15,456
Amount Reduced from Structural Shortfall		\$331
Remaining Structural Deficit		\$52

A General Fund Structural 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>House</u>	<u>B&T</u>	<u>Diff.</u>
<u>Local Aid</u>			
Community College Formula – Consistent with Reduction in Funding for Four-year Institutions	\$1.6	\$0.1	-\$1.5
C Savings from Limiting Pension Reinvestment to \$200 million	0.0	66.0	66.0
Scale Back New Digital Learning Innovation Fund	2.5	1.0	-1.5
Student Transportation Funds Should Be Based on Zero Inflation Rate	2.3	2.3	0.0
	\$6.3	\$69.4	\$63.0
<u>Medicaid</u>			
<i>Increase Fiscal 2013 Reduction – Favorable Trends and Availability of Fiscal 2012 Funds</i>	\$30.7	\$30.7	\$0.0
Provider Reimbursements – Projections Lower Due to Favorable Trends	8.0	8.0	0.0
Personnel Savings from Early Takeover of Maryland Medicaid Information System	1.2	1.2	0.0
Physician Rate Increases Double Budgeted	2.0	2.0	0.0
Less Funding for Federally Qualified Health Center Supplemental Payments	2.3	2.3	0.0
Limit Non-emergency Transportation Grant Growth to 6%/Later Chronic Health Homes Start Date	1.5	1.5	0.0
	\$45.7	\$45.7	\$0.0
<u>Higher Education</u>			
University System of Maryland – Reduction of Proposed Increase in Funding	\$9.5	\$0.6	-\$8.9
Reduce Funds for College Park Charter School (USM)	0.5	0.0	-0.5
Scholarships (\$5 Million) and MHEC Personnel – Funds Redirected from USM Increase	-5.5	-0.6	4.9
Reduce Funding for BCCC and Private Higher Education Due to Reduction in Four-year Funding	0.6	0.0	-0.6
	\$5.1	\$0.0	-\$5.1
<u>State Agencies</u>			
Less Judiciary Operating Expenditures	\$2.4	\$2.9	\$0.5
Delete New Positions and Contractual Conversions – Judiciary	0.9	0.9	0.0
Scale Back Funding for Second Courtroom Bailiff	0.5	0.5	0.0
Judiciary and General Assembly – Lower Employee Health Insurance Costs	0.5	0.5	0.0
C Savings from Limiting Pension Reinvestment to \$200 million	0.0	21.1	21.1
<i>Energy Administration – Reduce Capital Grants for Commercial/Industrial Retrofits</i>	4.5	4.0	-0.5
Funding for Beds at Private Psychiatric Hospitals – Mental Hygiene Administration	1.3	1.3	0.0
C Charge Local School Systems for Department of Juvenile Services Education Services*	1.5	1.5	0.0
C Allow Use of Transfer Tax for Department of Natural Resources Operations*	1.2	1.2	0.0
Reduce General Funds for Maryland Economic Assistance Authority and Fund	1.9	4.5	2.7
Other Reductions	1.2	1.1	0.0
	\$15.7	\$39.4	\$23.7
<u>Debt Service</u>			
Bond Premiums from March 2013 Bond Sale Exceed Estimates	\$18.0	\$18.0	\$0.0

State Reserve Fund

<i>Repayment of Transfer Tax That Was Transferred to General Fund in Fiscal 2006*</i>	\$50.0	\$50.0	\$0.0
Delete General Fund Repayment of the Local Income Tax Reserve Account*	50.0	50.0	0.0
<i>Reduce Rainy Day Fund Appropriation and Eliminate Associated Transfer to General Fund</i>	165.0	240.0	75.0
<i>No Funds for Government Innovation Fund</i>	<u>5.0</u>	<u>5.0</u>	<u>0.0</u>
	\$270.0	\$345.0	\$75.0
Total General Funds	\$360.8	\$517.4	\$156.6
Reductions Also Incorporated in the Governor's Budget Proposal	102.7	102.7	0.0
Total Reductions Proposed in Addition to the Governor's Proposal	\$258.1	\$414.7	\$156.6
"Structural" Reductions In Addition to Governor's Proposal – Fiscal 2014	\$52.9	\$135.0	\$82.1

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

Special Funds

	<u>House</u>	<u>B&T</u>	<u>Diff</u>
Eliminate Funding for Design of Internet Lottery Sales Website	\$0.4	\$0.4	0.0
No Transfer from Small, Minority and Women-Owned Business Account to MSBDFA	2.0	2.0	0.0
Mass Transit Administration – Reduce Increase for Additional Assistance	1.5	1.5	0.0
Reduce Funding for Kidney Disease Program Based on Enrollment Trends	0.3	0.3	0.0
Lower Cost Estimates for Integrated Medical Licensure System (Fiscal 2013 Deficiency)	0.5	0.5	0.0
No Increase in Textbook Aid for Non-public Schools	1.1	0.0	-1.1
C Savings from Limiting Pension Reinvestment to \$200 million	0.0	6.5	6.5
Other Reductions	0.7	0.9	0.3
	\$6.3	\$12.0	5.6
<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	\$0.0
	\$89.2	\$89.2	\$0.0
Total Special Funds	\$95.5	\$101.2	\$5.6

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>B&T Reductions</u>	<u>B&T Approp. 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	2.7	283.9	31.5	12.5%
Education/Libraries	5,616.6	5,448.0	5,772.8	66.7	5,706.1	258.1	4.7%
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	\$69.4	\$6,268.2	\$371.5	6.3%
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	0.2	1,345.3	29.3	2.2%
Higher Education	1,136.7	1,105.3	1,213.8	0.6	1,213.1	107.8	9.8%
Other Education	382.3	370.2	370.6	0.9	369.8	-0.4	-0.1%
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	5.0	715.3	123.6	20.9%
Legislative	76.8	78.3	80.6	0.3	80.2	1.9	2.4%
Judiciary	374.3	387.4	409.9	5.4	404.5	17.1	4.4%
Across-the-board Cuts	0.0	0.0	0.0	20.1	-20.1	-20.1	n/a
State Agencies	\$5,953.1	\$6,042.7	\$6,430.9	\$35.4	\$6,395.6	\$352.9	5.8%
Total Operating	\$14,881.2	\$14,668.8	\$15,612.4	\$137.7	\$15,474.6	\$805.9	5.5%
Capital ⁽¹⁾	54.5	0.7	47.4	4.0	43.4	42.7	6102.0%
Subtotal	\$14,935.7	\$14,669.5	\$15,659.8	\$141.7	\$15,518.1	\$848.6	5.8%
Reserve Funds	15.0	27.8	476.3	345.0	131.3	103.5	372.9%
Appropriations	\$14,950.7	\$14,697.2	\$16,136.0	\$486.7	\$15,649.3	\$952.1	6.5%
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	\$486.7	\$15,619.3	\$952.1	6.5%

⁽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 Senate Budget and Taxation 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 Senate Budget and Taxation 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</u>	<u>Adjusted</u>	<u>Allowance</u>	<u>B&T</u>	<u>B&T</u>	<u>FY 2013 to FY 2014</u>	
	<u>FY 2012</u>	<u>Work. Appr.</u> <u>FY 2013</u>	<u>FY 2014</u>	<u>Reductions &</u> <u>Fund Swaps</u>	<u>Approp.</u> <u>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	2.7	283.9	11.6	4.2%
Education/Libraries	5,707.7	5,870.2	6,113.1	66.7	6,046.4	176.3	3.0%
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	\$93.1	\$6,877.3	\$252.0	3.8%
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	1.5	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	0.2	1,567.2	31.9	2.1%
Higher Education	4,975.6	5,218.0	5,360.6	0.6	5,360.0	142.0	2.7%
Other Education	447.0	464.3	440.6	-0.6	441.1	-23.2	-5.0%
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	7.4	1,255.6	-68.5	-5.2%
Legislative	76.8	78.8	80.6	0.3	80.2	1.5	1.9%
Judiciary	419.3	446.0	463.8	5.6	458.2	12.2	2.7%
Across-the-board Cuts	0.0	0.0	0.0	26.5	-26.5	-26.5	n/a
State Agencies	\$12,804.2	\$13,624.4	\$13,875.3	\$43.7	\$13,831.6	\$207.2	1.5%
Total Operating	\$23,920.9	\$25,131.5	\$25,699.3	\$152.0	\$25,547.3	\$415.9	1.7%
Capital ⁽¹⁾	920.5	1,345.6	1,453.6	70.7	1,382.9	37.3	2.8%
Subtotal	\$24,841.4	\$26,477.1	\$27,153.0	\$222.7	\$26,930.3	\$453.2	1.7%
Reserve Funds	15.0	27.8	476.3	345.0	131.3	103.5	372.9%
Appropriations	\$24,856.4	\$26,504.8	\$27,629.2	\$567.7	\$27,061.5	\$556.7	2.1%
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	\$567.7	\$27,031.5	\$556.7	2.1%

⁽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 the Senate Budget and Taxation 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 Senate Budget and Taxation Committee actions include \$587.4 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>B&T Reductions & Fund Swaps</u>	<u>B&T Approp. 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	2.7	283.9	11.6	4.2%
Education/Libraries	6,471.3	6,667.1	6,867.4	66.7	6,800.7	133.7	2.0%
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	\$93.1	\$7,695.4	\$216.8	2.9%
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	3,376.2	147.8	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	0.2	1,593.5	29.1	1.9%
Higher Education	4,975.6	5,218.0	5,360.6	0.6	5,360.0	142.0	2.7%
Other Education	677.7	734.2	684.1	-0.6	684.7	-49.5	-6.7%
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	7.4	1,798.3	-81.1	-4.3%
Legislative	76.8	78.8	80.6	0.3	80.2	1.5	1.9%
Judiciary	423.8	451.9	468.0	5.6	462.4	10.4	2.3%
Across-the-board Cuts	0.0	0.0	0.0	33.0	-33.0	-33.0	n/a
State Agencies	\$15,426.9	\$16,380.0	\$16,693.5	\$51.9	\$16,641.6	\$261.6	1.6%
Total Operating	\$32,091.8	\$33,432.2	\$34,566.2	\$185.4	\$34,380.8	\$948.7	2.8%
Capital ⁽¹⁾	1,808.0	2,284.4	2,395.0	70.7	2,324.4	39.9	1.7%
Subtotal	\$33,899.7	\$35,716.6	\$36,961.3	\$256.1	\$36,705.2	\$988.6	2.8%
Reserve Funds	15.0	27.8	476.3	345.0	131.3	103.5	372.9%
Appropriations	\$33,914.7	\$35,744.3	\$37,437.5	\$601.1	\$36,836.5	\$1,092.1	3.1%
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	\$601.1	\$36,806.5	\$1,092.1	3.1%

⁽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 the Senate Budget and Taxation 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 Senate Budget and Taxation Committee actions include \$620.8 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	-89,755,671	-75,949,667 ⁽³⁾	-6,460,000	0	-172,165,338
Subtotal	-\$89,755,671	-\$75,949,667	-\$6,460,000	\$0	-\$172,165,338
Senate Budget and Taxation Committee Reductions					
Fiscal 2013 Deficiencies	-\$30,700,000	-\$468,000	-\$30,700,000	\$0	-\$61,868,000
Fiscal 2014 Budget	-396,953,251	-5,028,494	-26,938,433	0	-428,920,178
Total Reductions	-\$427,653,251	-\$5,496,494	-\$57,638,433	\$0	-\$490,788,178
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	15,619,317,364	7,355,284,595	9,774,927,826	4,056,925,242	36,806,455,027
Change	\$952,084,969	-\$449,636,397	\$535,416,879	\$54,248,357	\$1,092,113,808

⁽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>House</u>	<u>B&T</u>
<u>Fiscal 2013 Revenues</u>			
Electronic Bingo/Tip Jar Monies from Cultural Arts Fund to General Fund	\$1.9	\$1.9	\$1.9
Total Fiscal 2013 Revenues	\$1.9	\$1.9	\$1.9

Fiscal 2014 Revenues

Electronic Bingo/Tip Jar Monies from Cultural Arts Fund to General Fund	\$2.0	\$2.0	\$0.0
Repeal Maryland Mined Coal Tax Credit	6.0	0.0	0.0
Abandoned Property – Repeal Requirement to Notify in Newspapers	0.5	0.0	0.0
Total – BRFA	\$8.5	\$2.0	\$0.0

Other Legislation Pending Before Ways and Means Committee

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

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>Plan</u>	<u>House</u>	<u>B&T</u>
Contingent Reductions (Fiscal 2014)			
Charge Local School Systems for DJS Education Services	\$1.5	\$1.5	\$1.5
Allow Use of Transfer Tax for Department of Natural Resources Operations	1.2	1.2	1.2
Savings from Limiting Pension Reinvestment to \$200 million	0.0	0.0	87.1
Defer Repayment of Fiscal 2006 Transfer of the Transfer Tax to General Fund	50.0	0.0	0.0
Eliminate Requirement to Pay Back Transfer from Local Income Tax Reserve	50.0	0.0	0.0
Total Reductions	\$102.7	\$2.7	\$89.8
Fiscal 2013 Transfers			
State Insurance Trust Fund – State Treasurer	\$1.0	\$1.0	\$1.0
Local Reserve Account to Be Used for Municipal Transportation Grants	-15.4	-15.4	-15.4
Total Transfers	-\$14.4	-\$14.4	-\$14.4
Fiscal 2014 Transfers			
Portion of State Transfer Tax Revenues to the General Fund	\$89.2	\$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 (\$ in Millions)

	<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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>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
Licensees	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

Senate Budget and Taxation Committee

Status as of March 18, 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	0
Budget Reconciliation Legislation – Transfers	1,000,000	89,198,555
Other Legislation	0	-20,500,000
Additional Revenues	29,823,543	28,319,519
<i>Subtotal Revenues</i>	<i>\$14,684,701,679</i>	<i>\$15,409,681,074</i>
<i>Subtotal Available Revenues</i>	<i>\$15,235,854,187</i>	<i>\$15,978,302,866</i>
Appropriations		
General Fund Appropriations	\$14,623,003,880	\$16,136,026,286
Deficiencies	124,574,487	0
Legislative Reductions/Contingent Legislation	-30,700,000	-486,708,922
Estimated Agency Reversions	-49,645,972	-30,000,000
<i>Subtotal Appropriations</i>	<i>\$14,667,232,395</i>	<i>\$15,619,317,364</i>
Closing General Fund Balance	\$568,621,792	\$358,985,502

BRE: Board of Revenue Estimates

Senate Budget and Taxation 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 Senate Budget and Taxation 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	0.0 million
Fiscal 2014 Expenditure Reductions	89.8 million
Total Budgetary Action	\$166.5 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 5-6)

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 6-8)

Strikes a provision regarding the collection of the \$7.50 surcharge for moving violations (pages 8-10, 15)

2

Strikes a technical amendment to the source of revenue available to the Special Fund for the Preservation of Cultural Arts, consistent with the action to continue to distribute a portion of admission and amusement taxes on electronic bingo and tip jars to the fund (pages 10, 12-13)

3

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 10)

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 (pages 10-11)

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 (page 11)

Instant Ticket Lottery Machines – repeals the requirement that veterans’ organizations purchase or lease machines from the State Lottery and Gaming Control Agency (pages 11-12)

Increases from \$10 to \$11 the fee that the Secretary of State may charge to issue a notary public commission, and increases from \$2 to \$4 the fee that may be charged for an original notarial act (page 12)

4

Reduces the required reinvestment of savings due to pension reform to \$200 million, rather than \$300 million, in fiscal 2014 and each year thereafter (page 12)

5

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 13)

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 13)

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 13-14)

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 14)

Requires the Maryland Transit Administration to adjust fares to the nearest dime triennially, beginning in fiscal 2014, based on the increase in the Consumer Price Index over the preceding three calendar years (pages 14-15)

6

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 15-16, 21)

Modifies the hospital assessment for Medicaid to require, effective each fiscal year beginning in fiscal 2015, assessments, remittances, or general fund savings up to \$389.8 million (pages 16-17)

7

Disparity Grant – modifies the formula to add a minimum grant amount based on local tax effort of eligible counties and raises from 2.4% to 2.6% the local income tax rate required to be eligible to receive a grant (pages 17-19)

8

Maryland-mined Coal Tax Credit – strikes a provision that would repeal the credit effective January 1, 2013 (page 19)

From the balance in the State Insurance Trust Fund, \$1.0 million to the general fund in fiscal 2013 (pages 19-20)

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 20)

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 20)

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 20)

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 20-21)

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 (pages 21-22)

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 22)

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 22)

Special Fund for the Preservation of Cultural Arts – transfers any balance in the fund as of June 30, 2013, to the general fund (page 22)

For fiscal 2014 only, authorizes the Governor to provide funds for county library capital projects at the lesser of \$5 million or the amount needed to fund approved projects (page 22)

9

Continues, for fiscal 2014, a policy to allow merit increases when necessary to retain faculty at public institutions of higher education, to comply with certain collective

10

bargaining agreements, and for operationally critical staff, subject to certain reporting requirements (pages 22-23)

Technical Amendments:

- *Purpose and function paragraphs*

1

- *Renumbering sections and establishing effective dates*

11