Revised: 25 February 2014

Budget Reconciliation and Financing Act of 2014 (SB 172/HB 162)

Budget Summary, Provisions, and Recommendations

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

February 2014

Contributing Staff

Writers

J. Ryan Bishop
Jennifer A. Ellick
Andrew D. Gray
Garret T. Halbach
Jonathan D. Martin
Jordan D. More
Simon G. Powell
Jolshua S. Rosado
Laura M. Vykol

Reviewers

Mary E. Clapsaddle
Sara J. Baker
David B. Juppe
John W. Rohrer

For further information concerning this document contact:

Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle
Annapolis, Maryland 21401

Baltimore Area: 410-946-5400 • Washington Area: 301-970-5400
Other Areas: 1-800-492-7122, Extension 5400
TTY: 410-946-5401 • 301-970-5401
Maryland Relay Service: 1-800-735-2258
E-mail: libr@mlis.state.md.us
Home Page: http://mgaleg.maryland.gov

Contents

2014 Session "To Do" List
($ in Millions)

Balance Before Proposals Requiring Legislative Approval 2014 Session			**-$305.3**
Revenues – Tax Credit Programs			
Film Tax Credit Expansion	-$3.5	Separate Bill	
Biotechnology Tax Credit Expansion	-2.0	Budget	
Cybersecurity Tax Credit Expansion	-1.0	Budget	
Research and Development Tax Credit Expansion	-0.4	Separate Bill	
Subtotal			***-$6.9***
Other Revenue Actions			
Lottery Commissions	$7.3	BRFA	
Helicopter Sale to General Fund Instead of Annuity Bond Fund	17.6	BRFA	
Divert Chesapeake Bay 2010 Fund Revenue	11.2	BRFA	
Subtotal			***$36.1***
Transfers			
Transfer Tax	$69.1	BRFA	
University System of Maryland Fund Balance	25.8	BRFA	
Sustainable Community Tax Credit – Old Project Cancellations	19.1	Separate Bill	
Other Transfers	4.2	BRFA	
Subtotal			***$118.2***
Reductions			
Mandate Relief			
Retirement Reinvestment	$175.3	BRFA	
Community Colleges	4.6	BRFA	
Sellinger	3.9	BRFA	
Medicaid Maryland Health Insurance Plan	1.5	BRFA	
Maryland Agricultural and Resource-Based Industry Development Corporation	1.1	BRFA	
Subtotal			***$186.5***
Fund Swaps			
State Department of Assessments and Taxation Charter Unit	$0.3	BRFA	
Subtotal			***$0.3***
Ending General Fund Balance			**$28.9**

BRFA: Budget Reconciliation and Financing Act

Summary of Provisions

Budget Reconciliation and Financing Act of 2014
(SB 172/HB 162)

Mandate Relief

- Maryland Agricultural and Resource-Based Industry Development Corporation – reduces the fiscal 2015 appropriation from $4,000,000 to $2,875,000 and extends the period for the corporation to receive a grant by one year to 2021 (bill page 5; for more detail, see Fiscal and Policy Note (FPN) page 23)

- Community College Funding Formula – reduces the amount provided through the Cade formula by $4.6 million to $223.7 million for fiscal 2015, which provides a 5% increase (bill pages 6-8; FPN pages 24-25)

- Sellinger Formula – reduces the amount provided to private colleges and universities to fund each institution at the lesser of its fiscal 2014 or the amount received under the formula for fiscal 2015, for total funding of $40.9 million and a contingent reduction of $3.9 million (bill pages 9-10; FPN pages 26-27)

  - The Department of Legislative Services (DLS) recommends that the amount specified in the bill be allocated to eligible institutions through the established formula (for more detail, see pages 12-13 of this document)

- State Employees and Teachers Retirement System – permanently reduces from $300.0 million to $200.0 million the amount of savings due to pension reform that are to be reinvested in the pension fund (bill pages 10-11; FPN pages 28-29)

General and Special Fund Revenue Actions

- Lottery Agent Commissions – reduces from 6.0 to 5.0% the commission paid to lottery agents upon the granting of a Baltimore City video lottery operation license and authorizes the Lottery Commission to add 0.5% to the pool for agent bonuses and incentives (bill page 10; FPN page 8)

- Chesapeake and Coastal Bays 2010 Trust Fund – for fiscal 2014 and 2015, increases the revenue from the sales tax on vehicle rentals that is directed to the general fund by a total of $11.2 million (bill page 11; FPN pages 9-12)

- DLS recommends that the additional diversion of revenue to the general fund in fiscal 2015 be $13.2 million rather than $3.2 million (see pages 14-16)

New or Expanded Uses of Existing Revenues

- Authorizes the Department of Assessments and Taxation to use revenues in the Charter Unit Fund for operating expenses of the program; contingent general fund reductions for fiscal 2014 and 2015 total $625,088 (bill page 3; FPN page 30)

    - DLS recommends that revenues from the Charter Unit Fund comprise no more than 5% of the budget of the Office of the Director (see page 11)

- Establishes that an annual grant to the Maryland State Firemen's Association Widows' and Orphans' Fund is made from proceeds of the moving violation surcharge before such proceeds are distributed to the Maryland Emergency Medical System Operations Fund (bill pages 3-4; FPN pages 31-32)

- Authorizes the Department of General Services to use monies in the Not-For-Profit Development Fund to evaluate the participation of not-for-profit entities in State procurement (bill pages 4-5; FPN page 38)

- Directs the proceeds from the sale of the Dauphin 365N Medevac helicopters to the general fund instead of the Annuity Bond Fund (bill page 16; FPN page 17)

Transfers to the General Fund

	Fiscal 2014	Fiscal 2015
Radiation Control Fund	$300,000	
Biotechnology Investment Tax Credit Reserve Fund	650,000	
Maryland Correctional Enterprises Revolving Fund	800,000	
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	2,400,000	
Transfer Tax Revenues		$69,126,554
Sustainable Communities Tax Credit Reserve Fund		125,000
University System of Maryland		25,814,997

(bill pages 11 and 16; FPN pages 9-16 and 18-22)

- DLS recommends that some transfers planned for fiscal 2015 be moved into fiscal 2014 (see page 28)

Cost Control and Miscellaneous Provisions

- Modifies the allocation of revenue from Regional Greenhouse Gas Initiative auctions as follows: up to 50.0% for low-income energy assistance; at least 20.0% for energy efficiency and conservation projects; at least 20.0% for renewable and clean energy programs; and up to 10.0% but no more than $5.0 million for administration (bill pages 12-13; FPN pages 33-35)

- Reduces the annual hospital assessment levied for the Maryland Health Insurance Plan to a maximum of 0.5% (bill pages 13-14; FPN pages 39-40)

  - DLS recommends that the MHIP assessment be reduced to 0% for fiscal 2015 (effective October 1, 2014) and that the Medicaid hospital assessment be increased by $33.0 million for fiscal 2015 only to $422.8 million (see pages 17-18)

- Establishes a Community Partnership Assistance Program which authorizes the Health Services Cost Review Commission to raise the rates of hospitals in regional or statewide partnerships to implement plans that will improve the health and well-being of the community (bill pages 14-15; FPN page 41)

- Delays until January 1, 2015, any increase in rates for payments to providers of nonpublic placements (bill page 16; FPN page 36)

- Limits, for fiscal 2015, the increase in rates paid to group homes to 1.5% over the rates in effect on January 15, 2014, and delays the implementation of any rate increase until January 1, 2015 (bill page 16; FPN page 37)

Additional Recommendations to SB 172/HB 162

Mandate Relief

- Net Taxable Income Adjustment – defer for one year the phase-in to 100% of the difference between September and November calculations for the additional grant to counties whose formula aid is higher using November data; remain at 20% for fiscal 2015 (for more detail, see pages 19-20 of this document)

Special Fund Actions

- Speed Camera Revenue – in fiscal 2016 through 2018, require that at least $7,000,000 annually be used to purchase State Police vehicles and related equipment (see page 21)

- Sustainable Communities Tax Credit – clarify the process by which tax credits for projects approved in fiscal 2006-2010 that have not met certain milestones may be canceled and the funds returned to the general fund (currently proposed in HB 510) (see page 22)

Fund Balance Transfers

- Baltimore City Community College – transfer $10,800,000 from the college's fund balance to the Major Information Technology Development Fund for development of the college's Enterprise Resource Planning project (see page 23)

- Senior Prescription Drug Assistance Program – transfer $1,000,000 to the general fund in fiscal 2014 (see page 24)

Cost Control and Miscellaneous

- Maryland Health Benefit Exchange – authorize the Secretary of the Department of Information Technology to designate any project of the Exchange as a Major Information Technology Project, and therefore subject to those statutory requirements (see page 25)

- Targeted Public Health Formula – amend Health-General §2-302(b)(2) to clarify that the inflation and population adjustments are to be applied to the prior year's grant, consistent with current practice (see page 26)

- State Employee and Retiree Health Insurance Plan – specify that employees will receive two additional premium holidays and that retirees will receive one premium holiday (see page 27)

Technical

Page 11: in line 25, strike "$144,188,554" and insert "$144,188,544"

Detail on Alternative and Additional Recommendations on SB 172/HB 162

Proposed Amendment to SB 172/HB 162 as Introduced

State Department of Assessments and Taxation Charter Unit Swap Limitation

Provision in BRFA as Introduced: Alters the uses of a special fund within the State Department of Assessments and Taxation (SDAT) so that the department may use the fund for other costs incurred by the department to administer the Charter Unit.

Provision as Recommended by DLS: Limits, beginning in fiscal 2015, the amount of a special fund within SDAT that may be used to fund other costs incurred by the department to administer the Charter Unit to 5% of the total costs appropriated for the Office of the Director.

Agency: State Department of Assessments and Taxation

Type of Action: Use of Special Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	-$0.3	-$0.1	-$0.2	-$0.2	$0.0	$0.0
SF Exp	0.3	0.1	0.2	0.2	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	$0.0	$0.2	-$0.2	-$0.2	$0.0	$0.0
SF Exp	0.0	-0.2	0.2	0.2	0.0	0.0

Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2009 (Chapter 487) and 2010 (Chapter 484) authorized the transfer of $0.4 million and $3.0 million, respectively, from the special fund to the general fund.

State Effect: Special fund expenditures will increase by $303,550 and general fund expenditures will decrease by a commensurate amount in fiscal 2014. Special fund expenditures will be limited to $143,724 in fiscal 2015, which is 5% of the total appropriation for the Office of the Director and further applies the limit in each fiscal year SDAT uses special funds for operating expenses incurred by Office of the Director to administer the Charter Unit. At the end of fiscal 2014, the special fund is projected to have a balance of $883,962 before the proposed fund swap.

Subcommittee Assignments: HHS/PSA Alt-1

Proposed Amendment to SB 172/HB 162 as Introduced

Joseph A. Sellinger Program for Independent Colleges and Universities

Provision in BRFA as Introduced: Reduces funding by $3,902,344 for qualifying independent colleges and universities under the Joseph A. Sellinger Program by setting a reduced funding level for fiscal 2015. The funding formula is unchanged in fiscal 2016 and beyond. The Maryland Higher Education Commission (MHEC) would take the reduced amount of aid and appropriate it through the formula, which is based on enrollment. However, the Administration has stated that it would propose an amendment to give each institution the lesser of either the fiscal 2014 or 2015 institution calculations, which is how the Administration reduced the entire Sellinger formula appropriation by $3.9 million.

Provision as Recommended by DLS: In order to preserve the intent of the Sellinger formula, DLS recommends that the funding be allocated based upon the most recent audited enrollment numbers as reported by MHEC, as shown in **Exhibit 1**, rather than allocating Sellinger Aid by the lesser of two years' formula calculations. Additionally, the percentage of the formula set in statute should be modified to account for the reduction in the formula. For the fiscal 2015 amount proposed by the Administration, this would be 8.58%.

Agency: Maryland Higher Education Commission

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation:

Mandated general fund expenditures for the Sellinger formula increase by $3.6 million in fiscal 2015 due to increasing State support for public four-year institutions. The proposed fiscal 2015 State budget includes a $3.9 million reduction to the Sellinger formula contingent on enactment of this bill. Future year general fund expenditures are unchanged. Specifying the method for allocating how Sellinger Aid is distributed to independent institutions causes no net change to expenditures.

Exhibit 1
Reallocation of Sellinger Aid by Enrollment
Fiscal 2015

Capitol College	$491,628
College of Notre Dame	1,443,125
Washington Adventist University	824,990
Goucher College	1,619,974
Hood College	1,525,077
Johns Hopkins University	17,899,214
Loyola College	4,737,157
Maryland Institute College of Art	2,016,462
McDaniel College	2,159,064
Mount St. Mary's College	1,734,343
St. John's College	542,092
Sojourner-Douglass College	846,001
Stevenson University	3,611,588
Washington College	1,492,595
Total	**$40,943,310**

Note: The National Labor College will be closed in fiscal 2015 and will no longer receive formula funding.

Source: Department of Budget and Management; Department of Legislative Services

Proposed Amendment to SB 172/HB 162 as Introduced

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Additional Transfer

Provision in BRFA as Introduced: Redirects an additional $8,000,000 of the revenues from the short-term vehicle rentals tax from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2014 and $3,200,000 in fiscal 2015 and transfers $2,400,000 of the balance in the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2014.

Provision as Recommended by DLS: Redirects an additional $10,000,000 of the revenues from the short-term vehicle rentals tax from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in fiscal 2015.

Agency: Department of Natural Resources

Type of Action: Use of Special Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$10.4	$13.2	$0.0	$0.0	$0.0	$0.0
SF Rev	-8.0	-13.2	0.0	0.0	0.0	0.0
SF Exp	0.0	-13.2	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$0.0	$10.0	$0.0	$0.0	$0.0	$0.0
SF Rev	0.0	-10.0	0.0	0.0	0.0	0.0
SF Exp	0.0	-10.0	0.0	0.0	0.0	0.0

Background/Recent History: The trust fund was originally anticipated to receive an estimated $50.0 million in annual revenues but has received less than this amount from fiscal 2009 to 2013 (ranging from $38.2 million to $44.3 million) and has only recently reached this amount in fiscal 2014 ($52.0 million). The ending fiscal 2014 balance of $12.1 million reflects that the Administration has not changed its spending plan to account for increased revenues since it anticipates transferring $10.4 million to the general fund through the Budget Reconciliation and Financing Act (BRFA) of 2014 as introduced.

The BRFA of 2011 (Chapter 397) redirected revenues from the trust fund to the general fund for fiscal 2012 through 2016, as shown in **Exhibit 1**. The BRFA of the First Special Session of 2012 (Chapter 1) redirected $8.0 million in motor fuel tax revenues to the general fund in fiscal 2013, resulting in a total of $23.1 million to be redirected from the trust fund in fiscal 2013. As a result of Chapter 397, Chapter 1, and the BRFA of 2014 as proposed by the Governor, a fund balance of approximately $1.7 million is anticipated for the end of fiscal 2015.

Exhibit 1
2010 Trust Fund Revenue Transfers to the General Fund and Budget Restoration Fund under Current Law
Fiscal 2012-2016
($ in Millions)

Fiscal	Motor Fuel Tax	Short-term Vehicle Rentals Sales and Use Tax	Total
2012	$5.0	$15.2	$20.2
2013	13.0	10.1	23.1
2014	5.0	6.5	11.5
2015	5.0	3.0	8.0
2016	4.6	0.0	4.6

Note: The fiscal 2013 motor fuel tax transfer includes $5,000,000 that was directed to the general fund in the Budget Reconciliation and Financing Act (BRFA) of 2011 and $8,000,000 that was directed to the Budget Restoration Fund in the BRFA of First Special Session of 2012.

Source: Department of Legislative Services

Although this bill reduces funding for the trust fund in fiscal 2015, the proposed fiscal 2015 capital budget includes funding for the trust fund to accelerate progress toward the State's nutrient reduction goals. Specifically, the proposed fiscal 2015 capital budget includes $25 million in general obligation bond funding for the trust fund to implement stormwater infrastructure projects in areas of the State most heavily impacted by prior development.

State Effect: General fund revenues increase by $10 million in fiscal 2015 with a corresponding decrease in special fund revenues and expenditures, due to the redirection of additional short-term vehicle rentals tax revenues. There is no impact after fiscal 2015.

Local Effect: Local government revenues from the 2010 trust fund may decrease by up to an additional $10.0 million in fiscal 2015 due to the reduction in funding for the program. Although the amount provided to local governments varies each year depending on which projects are funded, from fiscal 2009 through 2014, local governments received approximately 23.2% of the total amount spent from the trust fund over the six-year period, although this does not include the local stormwater restoration funding that was funded through general obligation bonds. There is $9.86 million in special fund appropriation provided to local governments from the trust fund in the fiscal 2015 State budget. However, the Department of Natural Resources advises that, in the absence of the bill, it is likely that close to all of the transferred funds would have been provided to local governments and to non-profits.

Proposed Amendment to SB 172/HB 162 as Introduced

Maryland Health Insurance Plan and Medicaid Assessment

Provision in BRFA as Introduced: Reduction of the hospital assessment dedicated to the Maryland Health Insurance Plan (MHIP) and other authorized activities to a maximum of 0.5% of hospital net patient revenue effective October 1, 2014. Current law establishes a floor for the assessment of 0.8128%. The current assessment is set at 1.0%.

Provision as Recommended by DLS: For the nine-month period beginning October 1, 2014 only, reduce the MHIP assessment to 0% and increase the Medicaid deficit assessment by $33 million for fiscal 2015 only.

Agency: Department of Health and Mental Hygiene

Type of Action: Rate Relief and Expanded Use of Special Funds

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	$0.0	-$36.0	$0.0	$0.0	$0.0	$0.0
SF Rev	0.0	-63.4	0.0	0.0	0.0	0.0
SF Exp	0.0	33.0	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	$0.0	-$34.5	$0.0	$0.0	$0.0	$0.0
SF Rev	0.0	-15.2	0.0	0.0	0.0	0.0
SF Exp	0.0	33.0	0.0	0.0	0.0	0.0

Background/Recent History: The MHIP assessment supports MHIP, the State's high-risk pool. The current assessment is 1%. The MHIP fund balance is projected to have a surplus of $126 million over reserve requirements at the end of fiscal 2015 even with the reduction in the assessment proposed by the Governor. Current projections see that number increase significantly beyond fiscal 2015 as the MHIP program winds down given the availability of insurance products through the Maryland Health Benefit Exchange (MHBE). While Chapter 159 of 2013 extended the use of the MHIP fund to a reinsurance program in MHBE and the Secretary of the Department of Health and Mental Hygiene has noted the possible use of the fund for additional premium subsidies under MHBE, no firm proposal has yet been made. The Medicaid deficit assessment has been in place since fiscal 2010. In the Budget Reconciliation and Financing Act of 2013, the assessment was capped at $389.825 million.

State Effect: State general fund savings of $36 million. Of this amount, $33 million accrues from the availability of $33 million in additional special fund revenue from the Medicaid deficit assessment, with $3 million in additional Medicaid savings as a result of the overall lowering of hospital rates.

Proposed Amendment to SB 172/HB 162

Freeze Net Taxable Income Fiscal 2015 Calculation at 20%

Provision as Recommended by DLS: Freezes the Net Taxable Income (NTI) grant calculation at 20% for fiscal 2015 instead of the mandated 40%. This delays the full implementation of the NTI mandated grant by one year, reaching 100% in fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	$0.0	-$13.4	-$12.0	-$12.4	-$12.6	$0.0

Background/Recent History: Approximately 75% of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. Chapter 4 of 2013 provides additional education grants to counties whose formula aid funding amount is higher when using NTI data from November in each year as compared to September. Chapter 4 phases in the grant amounts over five years, beginning in fiscal 2014. NTI educational grants to 18 counties totaled $8.3 million in fiscal 2014 and increase to $26.8 million in fiscal 2015.

State Effect: This action reduces general fund spending by $13.4 million in fiscal 2015. Savings of approximately $12.0 million would continue until fiscal 2019 when the grant calculation reaches 100%.

Local Effect: Exhibit 1 illustrates the change to NTI amounts by county if the grant calculation remains at 20% in fiscal 2015, compared to the 40% mandated under current law. All counties, except Anne Arundel (which receives slightly less), still receive more in fiscal 2015 with the 20% freeze due to changes in wealth.

Exhibit 1

Net Taxable Income Grant Amounts under Current Law and Frozen at 20% by County

Fiscal 2014-2015

	Current Law			Recommendation		
County	20% 2014	40% 2015	Increase 2014-15	Freeze at 20% 2015	Change 2014-15	Allowance Reduction 2015
Allegany	$311,022	$865,366	$554,344	$432,683	121,661	-$432,683
Anne Arundel	574,459	963,665	389,206	481,833	-92,627	-481,833
Baltimore City	0	0	0	0	0	0
Baltimore	0	0	0	0	0	0
Calvert	241,825	653,800	411,975	326,900	85,075	-326,900
Caroline	171,035	445,024	273,989	222,512	51,477	-222,512
Carroll	384,283	1,163,656	779,373	581,828	197,545	-581,828
Cecil	414,167	1,225,102	810,935	612,551	198,384	-612,551
Charles	863,706	2,342,156	1,478,449	1,171,078	307,371	-1,171,078
Dorchester	140,776	376,519	235,743	188,259	47,483	-188,259
Frederick	469,554	1,314,904	845,349	657,452	187,897	-657,452
Garrett	87,005	274,463	187,458	137,231	50,227	-137,231
Harford	589,164	1,669,292	1,080,129	834,646	245,482	-834,646
Howard	0	389,216	389,216	194,608	194,608	-194,608
Kent	42,171	0	-42,171	0	-42,171	0
Montgomery	0	0	0	0	0	0
Prince George’s	2,532,291	10,889,498	8,357,207	5,444,749	2,912,458	-5,444,749
Queen Anne’s	71,040	273,594	202,554	136,797	65,757	-136,797
St. Mary’s	311,307	906,539	595,232	453,269	141,962	-453,269
Somerset	101,023	278,374	177,351	139,187	38,164	-139,187
Talbot	0	0	0	0	0	0
Washington	648,228	1,814,208	1,165,979	907,104	258,876	-907,104
Wicomico	372,344	1,014,610	642,266	507,305	134,961	-507,305
Worcester	0	0	0	0	0	0
Total	**$8,325,402**	**$26,859,985**	**$18,534,583**	**$13,429,992**	**$5,104,591**	**-$13,429,992**

Source: Department of Legislative Services

Proposed Amendment to SB 172/HB 162 as Introduced

Restrict Speed Camera Revenue for Motor Vehicle Purchases

Provision as Recommended by DLS: Amend the Transportation Article of the Annotated Code of Maryland, 12-118 (e)(ii) to restrict at least $7 million of speed camera revenue, after administrative costs are paid, for the Department of State Police (DSP) to purchase vehicles and related equipment in fiscal 2016, 2017, and 2018.

Agency: Department of State Police

Type of Action: Use of Special Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Background/Recent History: The Budget Reconciliation and Financing Act of 2011 (Chapter 397) required that for fiscal 2013, 2014, and 2015, $3 million of the revenue derived from work zone speed control systems (speed camera revenue) be distributed to DSP for the purchase of replacement vehicles and related equipment, after administrative costs are paid. Current statute then authorizes the remaining balance of the speed camera revenue to be distributed to DSP to fund roadside enforcement activities.

State Effect: The $3 million restriction of speed camera revenue for the purchase of DSP vehicles and equipment is set to expire in fiscal 2015. The fiscal 2015 allowance authorizes a total of $7 million, an increase of $4 million over what is currently restricted, of speed camera revenue for DSP vehicles and equipment. DSP utilizes the remaining speed camera revenue not restricted for vehicles for personnel expenses, so applying additional revenue to vehicles and equipment reduces funding available for personnel; however, the Department of Budget and Management has increased general funds while simultaneously decreasing special funds to account for the reduction in speed camera revenue for personnel costs. Therefore, the fiscal 2015 allowance already reflects what the DLS recommendation proposes for fiscal 2016, 2017, and 2018. Relative to proposed fiscal 2015 funding, there is no fiscal impact, but this provision would provide a mandated use of funds for three years and thereby limit DSP's ability to use speed camera revenues for other purposes.

Local Effect: None.

Proposed Amendment to SB 172/HB 162 as Introduced

Sustainable Communities Tax Credit Cancellations

Provision as Recommended by DLS: Clarifies the ability of the Maryland Historical Trust to revoke certain tax credits awarded between fiscal 2006 through 2010 when certain project milestones are not met and to transfer the amounts associated with those credits from the sustainable communities tax credit reserve fund to the general fund.

Agency: Department of Planning

Type of Action: General Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$19.0	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The sustainable communities tax credit for commercial properties is one of the State's largest economic development programs and has been one of the largest business-related income tax credits. Since fiscal 2006, the commercial tax credit has existed as a budgeted tax credit with an aggregate limit. A number of commercial projects that were awarded tax credits between fiscal 2006 and 2010 were never actually completed, and it is assumed that the tax credits for those projects have expired.

HB 510 of 2014, a departmental bill, proposes to extend the termination date of the sustainable communities tax credit to June 30, 2019 and to provide a process for revoking expired tax credits.

Subcommittee Assignments: CAP/CPH DLS-8

Proposed Amendment to SB 172/HB 162

Baltimore City Community College Fund Balance Transfer

Provision as Recommended by DLS: Transfers $10.8 million from Baltimore City Community College's (BCCC) fund balance to the Department of Information Technology's (DoIT) Major Information Technology Development Fund to ensure the implementation of Enterprise Resource Planning (ERP) at BCCC in fiscal 2015. This represents the total estimated cost of ERP minus $6.0 million in funds already budgeted by BCCC to be spent on ERP in fiscal 2015, which the Department of Legislative Services (DLS) is also recommending to be transferred to DoIT through the fiscal 2015 budget bill. Thus, the total estimated cost for ERP is $16.8 million. The higher education funds would become special funds within DoIT to be spent as needed on BCCC's ERP.

Agency: Baltimore City Community College and Department of Information Technology

Type of Action: Transfer of Funds

Fiscal Impact vs. Current Law: This action transfers funds from BCCC's fund balance to special funds within DoIT and restricts these funds for implementation of ERP at BCCC as needed. It is unclear when spending on this project would commence and expenditures in out-years would be determined by the pace of implementation of ERP.

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Exp	$0.0	$---	$---	$---	$0.0	$0.0
SF Rev	0.0	10.8	0.0	0.0	0.0	0.0

Background/Recent History: Since fiscal 2009, ERP has been identified as a critical need of BCCC in order to meet many operational and legal needs. For example, BCCC is likely in violation of federal privacy laws due to the way students are currently identified in the existing computer system. A new ERP would bring BCCC into compliance and also greatly improve the day-to-day functioning of the institution's operations from human resources to academic records to financial aid.

State Effect: This action transfers funds from BCCC's fund balance to DoIT's Major Information Technology Development Project Fund. There is no change in net expenditures.

Subcommittee Assignments: EBA/EED DLS-5

Proposed Amendment to SB 172/HB 162 as Introduced

Senior Prescription Drug Assistance Program

Provision as Recommended by DLS: Authorize the transfer of $1,000,000 from the Senior Prescription Drug Assistance Program (SPDAP) fund to the general fund for fiscal 2014.

Agency: Maryland Health Insurance Plan

Type of Action: Fund Balance Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$1.0	$0.0	$0.0	$0.0	$0.0	$0.0

Background: SPDAP provides Medicare Part D premium and coverage gap assistance for the purchase of outpatient prescription drugs for moderate-income (at or below 300% of the federal poverty level) Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D Prescription Drug Plan. SPDAP receives special funds from a portion of the value of CareFirst's premium tax exemption and $4 million, also from CareFirst, for the coverage gap subsidy when CareFirst's surplus reaches certain statutory levels. The program is scheduled to sunset on December 31, 2014. HB 106 of 2014 extends the sunset by two years. Assuming the program is extended, the latest revenue and expenditure projections indicate that SPDAP will have a fund balance of $3 million at the end of fiscal 2015. Fund transfers to other programs as well as the general fund have been made from the SPDAP fund in various recent Budget and Reconciliation Financing Acts.

State Effect: Increased general fund revenue of $1 million.

Subcommittee Assignments: HHS/HHR DLS-6

Proposed Amendment to SB 172/HB 162

Maryland Health Benefit Exchange and Oversight By the Department of Information Technology

Provision as Recommended by DLS: Authorize the Secretary of the Department of Information Technology (DoIT) to designate an information technology (IT) project developed by the Maryland Health Benefit Exchange (MHBE) as a Major Information Technology Development Project subject to Title 3A of the State Finance and Procurement Article and to make the procurement of any such designated project also subject to Division II of the State Finance and Procurement Article.

This recommendation will provide the Secretary of DoIT with the discretion to apply the traditional State IT development methodology and oversight process to IT projects developed by MHBE.

Agency: Maryland Health Benefit Exchange, Department of Information Technology

Type of Action: Administrative

Fiscal Impact vs. Current Law: Indeterminate

Background: MHBE is established as a public corporation and a unit of State government but is exempt from various aspects of State law including some parts of the procurement law and State personnel. Chapter 1 and 2 of 2011, which established MHBE, includes a specific provision (Insurance Article, Section 31-103) establishing what it is and is not subject to. The statute does not specify that MHBE is subject to Title 3A of the State Finance and Procurement Article, which details the oversight of major IT development projects by DoIT, nor does it specifically exclude it from that provision. MHBE was advised by counsel that the broad language in the MHBE legislation (and in the report of the Health Care Reform Coordinating Council that preceded it) emphasizing MHBE's independence from operational rules and regulations applicable to other agencies, gave it the ability to not be under that oversight. The MHBE counsel also noted prior Office of the Attorney General opinions concerning the status of agencies like the Stadium Authority and the Maryland Automobile Insurance Fund in coming to this conclusion.

State Effect: Indeterminate. The legislature, in adopting the major IT development project oversight process under DoIT, did so in the belief that the development methodology and oversight process used by DoIT could promote best practices in the development of IT projects and best assure that major IT projects are delivered on-time, within budget, and with required functionality.

Subcommittee Assignments: HHS/HHR DLS-2

Proposed Amendment to SB 172/HB 162

Clarification to Core Public Health Services Funding Formula

Provision as Recommended by DLS: Clarify the Core Public Health Services (CPHS) funding formula in Health – General § 2-302 such that inflationary adjustments are made to the prior year's formula allocation, consistent with current practice.

Agency: Department of Health and Mental Hygiene

Type of Action: Clarification to Statutory Funding Formula

Fiscal Impact vs. Current Law:

Background/Recent History: CPHS funding is established by a statutory formula, referred to as the targeted local health formula, which operates as the sole statutory funding mechanism for local health services.

The formula adjustment factor is mandated under Health – General § 2-302 and is calculated by combining an inflation factor with a population growth factor. Specifically, statute mandates that, for fiscal 2013 and each subsequent fiscal year, the formula adjustment factor be applied to the $37.3 million base level established in statute during the 2010 session. (Prior to cost containment actions that began in fiscal 2009, the inflationary adjustment had been made to the previous year's base allocation.)

Given that the formula adjustment factor is applied to the base year rather than the prior fiscal year, funding for CPHS may, in fact, decline rather than grow from year to year. Moreover, the formula does not account for ongoing expenditures related to the annualization of cost-of-living adjustments. Additional funding for such expenditures is not mandated by statute and is instead budgeted at the discretion of the Administration. However, current practice is to make inflationary adjustments not to the statutory base but rather to the prior year allocation.

State Effect: Because the change aligns statute with current practice, State finances are not materially affected.

Local Effect: Because the change aligns statute with current practice, local government finances are not materially affected.

Proposed Amendment to SB 172/HB 162

Health Insurance Premium Holidays

Provision as Recommended by DLS: This action specifies that employees will receive two additional health insurance premium holidays (one in fiscal 2014 and one in the first half of fiscal 2015) and retirees will receive one holiday in fiscal 2014.

Agency: Department of Budget and Management

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	$0.0	-$6.3	-$6.3	$0.0	$0.0	$0.0
SF Exp	0.0	-2.1	-2.1	0.0	0.0	0.0
FF Exp	0.0	-2.1	-2.1	0.0	0.0	0.0

Background/Recent History: In fiscal 2013, the State Employee Health and Welfare Benefits Fund accrued a sizable fund balance due to receipts coming in higher than expected and spending declining. This fund balance is spent down in fiscal 2014 and 2015 by reducing agency spending on health insurance.

The cost of health insurance is shared between the State (approximately 80%) and employees/retirees (approximately 20%). The Administration negotiated that the excess fund balance would be shared between the employees/retirees and the State. The employee/retiree share of the savings was estimated to be $42 million. To pass these savings on to employees/retires, the Administration negotiated that employees would have four additional premium holidays (two in fiscal 2014 and two in the first half of fiscal 2015) and retirees two holidays (one in fiscal 2014 and one in the first half of fiscal 2015).

State Effect: This action increases the fund balance in the State Employee Health and Welfare Benefits Fund by $21.0 million. The Department of Legislative Services has recommended in the Department of Budget and Management – Personnel budget analysis that the fiscal 2015 allowance for health insurance be reduced by $10.5 million in all funds across State agencies to reflect the additional fund balance. The remaining $10.5 million in savings is retained in the fund and may be used to offset fiscal 2016 health insurance increases.

Subcommittee Assignments: B&T/APP DLS-4

Proposed Amendment to SB 172/HB 162

Accelerate Fiscal 2015 Transfers into Fiscal 2014

Provision in BRFA as Introduced: Fiscal 2015 transfers to the general fund from the fund balances of University System of Maryland ($25.8 million) and unallocated funds in the Sustainable Communities Tax Credit Reserve Fund ($125,000).

Provision as Recommended by DLS: These transfers can be made in fiscal 2014 instead.

Agency: University System of Maryland, Department of Planning

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$25.9	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$25.9	-$25.9	$0.0	$0.0	$0.0	$0.0

State Effect: This action will provide additional cash to balance the budget in fiscal 2014 to protect against potential revenue write-downs and provide a larger cushion to help balance fiscal 2015.

Local Effect: None

Subcommittee Assignments: B&T/APP DLS-9