

House Appropriations Committee

Report on

Senate Bill 170 – the Budget Bill

**Senate Bill 172 – the Budget Reconciliation and
Financing Act**

**Maryland General Assembly
Annapolis, Maryland**

March 24, 2014

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Fiscal 2015 Budget Proposal
Budget Bill (SB 170) and the Budget Reconciliation and
Financing Act (SB 172)
As Amended by the House Appropriations Committee

1. **Preserves State Fund Balances and Reduces the Structural Budget Gap** – Although the State’s revenues were recently revised downward by \$248.0 million across fiscal 2014 and 2015, budget actions result in a general fund balance of over \$87.0 million, and the Rainy Day Fund balance will continue at 5.0% of general fund revenues, an amount estimated to be \$794.8 million. In addition, the structural gap between revenues and spending is reduced by \$150.0 million, well above the \$125.0 million target recommended by the Spending Affordability Committee. Ongoing revenues now cover 98.7% of spending.

2. **Continues to Constrain Spending** – Growth in State spending, excluding federal funds, is 3.1% and below the 3.6 to 5.1% forecasted growth in Maryland personal income for calendar 2014 and 2015. Constrained by sluggish revenue growth, the budget maintains current services and funds several education, public safety, and economic development initiatives.

3. **Avoids Reductions to Essential Programs and Reaffirms Commitment to Full Supplemental Retirement Payment** – The 2011 legislation making changes to the State pension system requires a \$300 million State supplement beyond the annually required amount. To avoid reductions to education, health, and other essential programs, as well as to fully fund collectively bargained employee compensation increases, the supplemental payment is temporarily scaled back by \$200 million in fiscal 2014 and 2015. Unlike the permanent \$100 million reduction proposed by the Governor, however, the legislative plan phases the additional State payment up to \$300 million by fiscal 2019.

4. **Maintains the State's Commitment to the Public Schools** – Total State support for public schools will be almost \$6.1 billion. Distributions to local school systems will increase an estimated \$124.8 million, or 2.4%. The budget funds a \$4.3 million initiative to expand prekindergarten programs, and for the second straight year, there is new funding to provide school breakfast to an additional 40,000 students.
5. **Increases State Support for Higher Education and Moderates Tuition Growth** – Maryland's State colleges and universities receive about \$1.4 billion in State funds, an increase of \$103.5 million, or 7.9%, over fiscal 2014. This funding will enable the institutions to hold in-state undergraduate tuition increases to 3.0% for the fifth consecutive year. Ongoing efforts to constrain tuition growth have resulted in Maryland's average tuition and fee costs dropping from 7th to 27th most expensive in the country since fall 2004. Formula aid for community colleges increases \$12.0 million, or 5.6%.
6. **Supports Expansion of and Access to Affordable Health Care to More Marylanders** – Maryland continues to take advantage of opportunities to expand Medicaid coverage under the federal Affordable Care Act. The budget includes \$495 million in new federal funds to provide full Medicaid benefits to 130,000 individuals, \$300 million to fund provider rate increases, and \$33 million to expand home- and community-based services for the elderly and disabled. Total Medicaid spending is \$8.1 billion to provide services to over 1.1 million Marylanders. Funding is also provided for the Maryland Health Benefit Exchange, including funding to ensure that the Exchange's enrollment system is properly functional. However, that funding also comes with enhanced legislative oversight.
7. **Recognizes Efforts of State Workforce** – The budget includes funds for a 2.0% cost-of-living adjustment for State employees, and employee merit raises are budgeted for a full year for the first time since 2009. Also, due to health insurance savings, State employees will not be required to pay insurance premiums for an additional four pay periods in calendar 2014.

Budget Summary
Fiscal 2014 and 2015
(\$ in Millions)

General Fund

	<u>Admin.</u>	<u>Senate</u>	<u>APP</u>
<u>Fiscal 2014</u>			
Ending Balance Before Legislative Action	-\$20.6	-\$20.6	-\$20.6
Revenues – BRE March Revision	-126.7	-126.7	-126.7
Revenues – Legislation	8.0	8.0	8.0
Fund Transfers – Legislation	4.2	55.1	55.2
Expenditure Reductions – Deficiency Approp.**	3.8	5.6	5.6
Expenditure Reductions – Contingent on BRFA	87.4	174.5	174.5
Adjusted Ending Balance*	-\$43.9	\$95.9	\$96.1
<u>Fiscal 2015</u>			
Revenues – BRE Estimate	\$16,005.3	\$16,005.3	\$16,005.3
Revenues – BRE March Revision	-111.1	-111.1	-111.1
Other Revenues	23.2	23.2	23.2
Revenues – Legislation	24.3	28.1	31.1
Fund Transfers – Legislation	114.0	69.1	69.1
Transfer from Rainy Day Fund	204.5	204.5	0.0
Total Revenues and Balance	\$16,216.3	\$16,315.1	\$16,113.8
Expenditures – Allowance	\$16,527.6	\$16,527.6	\$16,527.6
Expenditures Due to Lower Gaming Revenues	9.7	9.7	9.7
Retirement Reinvestment Reduction	-88.3	-176.5	-176.5
Expenditure Reductions – Contingent on BRFA	-11.4	-1.6	-4.8
Expenditure Reductions**	-2.8	-149.1	-120.7
Rainy Day Fund	0.0	-5.5	-208.5
Total Expenditures	\$16,434.8	\$16,204.6	\$16,026.7
Ending Balance (Revenues Less Expenditures)*	-\$218.5	\$110.5	\$87.0

Cash Position

General Fund Balance	-\$218.5	\$110.5	\$87.0
Rainy Day Fund Balance – June 30, 2015	794.8	794.8	794.8
Total	\$576.3	\$905.3	\$881.8
Cash and Rainy Day Fund Over 5%	-\$218.5	\$110.5	\$87.0

BRE: Board of Revenue Estimates
BRFA: Budget Reconciliation and Financing Act

*The Administration budget proposal before the BRE March revenue revisions resulted in estimated balances of \$82.8 million for fiscal 2014 and \$28.9 million for fiscal 2015.

**Expenditure reductions for the Administration are assumed reversions from the Judiciary and General Assembly.

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

Structural Analysis

Target

Estimated Structural Gap (December 2013)	\$362
Target Reduction	125

Revenues

	\$16,129
March 2014 Revenue Revision	-111
Transfer Tax	-69
Medevac Sale	-18
Other One-time Items	-8
Subtotal	\$15,923

Spending

	\$16,017
Rainy Day Fund	-20
Tobacco Arbitration	40
Video Lottery Terminal Shortfall	10
One-time Reduction to Mandated Appropriations	1
One-time Supplemental Retirement Contribution	88
Pay-as-you-go Capital	-1
Subtotal	\$16,135

Amount Reduced from Structural Shortfall	\$150
Remaining Structural Deficit	\$212

Proposed Budget Reductions
Senate Bill 170
Fiscal 2015 Budget and Fiscal 2014 Deficiency Appropriations
(\$ in Millions)

General Funds

	<u>Senate</u>	<u>APP</u>	<u>Diff.</u>
<u>Local Aid</u>			
Community College Formula – Consistent with Reduction in Funding for Four-year Institutions	\$3.4	\$3.3	-\$0.1
Early College Innovation Fund – Evaluate First Round of Grants Before Providing New Grants	2.0	0.0	-2.0
Limit Decrease in Education Aid Formulas (Redirected from Early College Innovation Fund)	-1.7	0.0	1.7
C Savings from Limiting Retirement Reinvestment to \$100 Million	131.9	131.9	0.0
Level Fund Prince George’s County State’s Attorney Grant	0.7	0.0	-0.7
Total	\$136.2	\$135.2	-\$1.0
<u>Medicaid</u>			
C Medicaid Savings from Reduced MHIP Assessment	\$1.5	\$4.7	\$3.2
Extend Managed Care Organization Cost Containment for Second Half of Fiscal 2015	10.1	10.1	0.0
No Early Takeover of Maryland Medicaid Information Systems	4.8	4.8	0.0
Reduce Funding for Balancing Incentive Payment Program	2.2	2.2	0.0
Special Funds from Cigarette Restitution Fund Available	0.8	0.0	-0.8
Use Vacancies for New Positions/Kidney Disease Program Enrollment Trends	0.4	0.4	0.0
Total	\$19.8	\$22.2	\$2.4
<u>Higher Education</u>			
University System of Maryland – Reduction of Proposed Increase in Funding	\$10.0	\$9.5	-\$0.5
Morgan State University – Reduction of Proposed Increase in Funding	1.0	1.0	-0.1
Reduce Funding for Private Higher Education Due to Reduction in Four-year Funding	0.7	0.7	0.0
Total	\$11.7	\$11.1	-\$0.6
<u>Personnel</u>			
Delete Vacant Executive Branch Positions	\$17.0	\$10.0	-\$7.0
C Savings from Limiting Pension Reinvestment to \$100 Million	44.7	44.7	0.0
Judiciary/Gen. Assembly – Employee Health Insurance/Personnel System Costs (Fiscal 2014)	3.8	3.8	0.0
Judiciary and General Assembly – Lower Employee Health Insurance Costs	1.5	1.5	0.0
Total	\$67.0	\$60.0	-\$7.0
<u>State Agencies</u>			
Delete New Positions and Contractual Conversions – Judiciary	\$1.0	\$1.3	\$0.2
Security Services Contract/New Bailiffs in District Court	1.4	1.4	0.0
Operating Expenses for Judiciary and Clerks of Circuit Court	6.6	5.5	-1.1
Reduce Judiciary Funding – Improper Encumbrance and Technical Correction	0.9	0.9	0.0
Information Technology Projects	2.0	2.0	0.0
Fund a More Realistic Vacancy Rate for Comptroller	0.7	0.3	-0.3
State Lottery Agency – Higher Turnover for New Positions/Scale Back Additional Positions	0.5	0.0	-0.5
C Assessments and Taxation – Use Charter Unit Revenues for Office of Director Costs	0.1	0.1	0.0
Public Safety and Corrections Operations – Long-term Vacant Positions	2.0	0.0	-2.0
Reduce Funding for Program to Provide Community Services for Youthful Offenders	0.2	0.0	-0.2
Assume More Realistic Vacancy Rate for State Police	3.5	1.8	-1.8
Foster Care – Lower Caseload Estimates	3.0	5.0	2.0
Temporary Disability Assistance – Lower Caseloads (Fiscal 2014)	1.7	1.7	0.0
Temporary Disability Assistance – Lower Caseloads (Fiscal 2015)	2.1	2.1	0.0
Scale Back Increase in Child Care Subsidy Program	1.0	0.0	-1.0
Less Funding for Contractual Mental Health Evaluations Based on Fiscal 2013 Actuals (DJS)	0.5	0.5	0.0
Scale Back Fiscal 2014 Deficiency for Contractual Mental Health Services (DJS)	0.1	0.1	0.0
Less General Funds for Moving Department of Housing and Community Dev. Headquarters	1.1	1.1	0.0
MARBIDCO – Concur with Governor’s Proposed Reduction	1.1	1.1	0.0
Reduce Oil Control Program Funding Consistent with Fiscal 2014 Targeted Reversion	0.6	0.6	0.0

General Funds for Maryland Economic Assistance Authority and Fund Not Needed	8.9	0.0	-8.9
Scale Back Funding for Tourism Board	1.0	0.0	-1.0
Other Reductions	1.5	1.5	0.1
Total	\$41.7	\$27.1	-\$14.6

Grants/Tax Credits

Biotechnology Tax Credit Program – No Increase	\$0.0	\$2.0	\$2.0
Reduce Funding for Employment Advancement Right Now Program Grants	0.9	0.0	-0.9
No Funding for New Victims Services Grant Program – Use Funds from Existing Programs	0.5	0.0	-0.5
Total	\$1.4	\$2.0	\$0.6

Debt Service/State Reserve Fund

Additional Bond Premiums for Debt Service	\$55.0	\$50.0	-\$5.0
<i>Reduce Rainy Day Fund Appropriation – Maintain at 5% of Revenue</i>	5.5	208.5	203.0
Total	\$60.5	\$258.5	\$198.0

Total General Funds

Total General Funds	\$338.4	\$516.2	\$177.8
Reductions Also Incorporated in the Governor's Budget Proposal	100.5	100.4	-0.1
Total Reductions Proposed in Addition to the Governor's Proposal	\$237.8	\$415.8	\$177.9

"Structural" Reductions In Addition to Governor's Proposal – Fiscal 2015	\$142.3	\$117.2	-\$25.1
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Note: Non-structural reductions in italics (not ongoing or fiscal 2014 deficiencies).

Special Funds

	<u>Senate</u>	<u>APP</u>	<u>Diff</u>
C Savings from Limiting Pension Reinvestment to \$100 Million	\$12.5	\$12.5	\$0.0
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Double Budgeted	17.6	17.6	0.0
Reduce Tobacco Transition Program Agricultural Land Preservation Funding	0.8	0.0	-0.8
C Reduce Chesapeake and Atlantic Coastal Bays 2010 Spending – Revenues to General Fund	3.2	6.2	3.0
Other Reductions	1.0	0.9	-0.1
Total	\$35.0	\$37.2	\$2.1

Pay-as-you-go Capital

Level Fund Jane Lawton Conservation Loan Program – Maryland Energy Administration	\$0.3	\$0.3	\$0.0
C Reduce Funds for Open Space, Rural Legacy, and Ag. Land Preservation – Use Bonds	69.1	69.1	0.0
Total	\$69.4	\$69.4	\$0.0

Total Special Funds	\$104.4	\$106.5	\$2.1
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DJS: Department of Juvenile Services

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

MHIP: Maryland Health Insurance Program

C: These Items Are Contingent on Passage of the Budget Reconciliation and Financing

State Expenditures – General Funds
(\$ in Millions)

<u>Category</u>	Actual	APP	Allowance	APP	APP	FY 2014 to FY 2015	
	<u>FY 2013</u>	<u>Work. Appr. FY 2014</u>	<u>FY 2015</u>	<u>Reductions</u>	<u>FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$83.0	\$195.0	\$50.0	\$145.0	\$62.0	74.7%
County/Municipal	159.0	245.0	254.5	0.0	254.5	9.5	3.9%
Community Colleges	252.4	281.3	304.7	8.6	296.1	14.8	5.3%
Education/Libraries	5,453.8	5,608.8	5,846.5	116.9	5,729.6	120.8	2.2%
Health	37.3	41.7	46.9	0.0	46.9	5.1	12.3%
Aid to Local Governments	\$5,902.4	\$6,176.9	\$6,452.7	\$125.5	\$6,327.2	\$150.3	2.4%
Foster Care Payments	203.1	256.9	237.6	5.0	232.6	-24.3	-9.5%
Assistance Payments	84.9	71.5	76.0	2.1	73.9	2.4	3.4%
Medical Assistance	2,311.7	2,467.4	2,474.4	22.1	2,452.3	-15.2	-0.6%
Property Tax Credits	81.9	80.2	82.0	0.0	82.0	1.7	2.2%
Entitlements	\$2,681.5	\$2,876.1	\$2,869.9	\$29.2	\$2,840.7	-\$35.3	-1.2%
Health	1,470.5	1,571.8	1,631.3	0.2	1,631.1	59.3	3.8%
Human Resources	372.3	332.5	336.9	0.4	336.5	3.9	1.2%
Children's Cabinet Interagency Fund	13.4	20.1	21.8	0.0	21.8	1.7	8.6%
Juvenile Services	269.5	281.0	290.4	0.8	289.6	8.6	3.1%
Public Safety/Police	1,309.2	1,385.3	1,448.0	1.8	1,446.2	61.0	4.4%
Higher Education	1,106.6	1,218.4	1,356.7	10.5	1,346.2	127.8	10.5%
Other Education	366.9	387.3	386.0	0.7	385.4	-1.9	-0.5%
Agric./Nat'l. Res./Environment	107.5	114.8	119.5	1.7	117.9	3.1	2.7%
Other Executive Agencies	594.6	664.1	692.1	6.4	685.8	21.6	3.3%
Legislative	77.3	80.0	83.1	0.3	82.8	2.8	3.5%
Judiciary	384.2	406.1	434.4	10.4	424.0	17.9	4.4%
Across-the-board Cuts	0.0	-42.1	0.0	54.7	-54.7	-12.5	29.7%
State Agencies	\$6,072.0	\$6,419.4	\$6,800.4	\$87.6	\$6,712.7	\$293.4	4.6%
Total Operating	\$14,656.0	\$15,555.3	\$16,318.0	\$292.4	\$16,025.6	\$470.3	3.0%
Capital ⁽¹⁾	3.2	42.7	11.4	0.0	11.4	-31.3	-73.3%
Subtotal	\$14,659.2	\$15,598.0	\$16,329.4	\$292.4	\$16,037.0	\$439.1	2.8%
Reserve Funds	37.8	55.3	228.2	208.5	19.7	-35.5	-64.3%
Appropriations	\$14,697.0	\$15,653.2	\$16,557.6	\$500.9	\$16,056.7	\$403.5	2.6%
Reversions	0.0	-58.0	-30.0	0.0	-30.0	28.0	-48.2%
Grand Total	\$14,697.0	\$15,595.3	\$16,527.6	\$500.9	\$16,026.7	\$431.5	2.8%

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

Note: The fiscal 2014 working appropriation includes deficiencies, \$234.5 million in cost containment, \$40.8 million in targeted reversions, and House Appropriation Committee cuts to the deficiencies. The fiscal 2015 allowance includes \$16.3 million in reductions from Section 19 of the budget bill (SB 170). The fiscal 2015 appropriation includes \$181.4 million in reductions contingent on legislation and \$9.7 million in additional general funds for aid to education to offset a reduction in the gaming revenue estimate.

State Expenditures – State Funds

(\$ in Millions)

<u>Category</u>	<u>Actual FY 2013</u>	<u>APP</u>		<u>APP Reductions</u>	<u>APP</u>		<u>FY 2014 to FY 2015</u>	
		<u>Work. Appr. FY 2014</u>	<u>Allowance FY 2015</u>		<u>Appr. FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>	
Debt Service	\$1,078.2	\$1,183.0	\$1,283.3	\$50.0	\$1,233.3	\$50.3	4.3%	
County/Municipal	436.3	512.0	543.1	22.7	520.4	8.4	1.6%	
Community Colleges	272.3	281.3	304.7	8.6	296.1	14.8	5.3%	
Education/Libraries	5,875.9	5,998.5	6,263.5	126.6	6,136.9	138.5	2.3%	
Health	38.1	41.7	46.9	0.0	46.9	5.1	12.3%	
Aid to Local Governments	\$6,622.5	\$6,833.5	\$7,158.3	\$157.9	\$7,000.4	\$166.8	2.4%	
Foster Care Payments	210.2	262.4	243.1	5.0	238.1	-24.3	-9.3%	
Assistance Payments	103.6	90.1	94.6	2.1	92.5	2.4	2.7%	
Medical Assistance	3,297.3	3,300.9	3,435.0	22.1	3,412.8	111.9	3.4%	
Property Tax Credits	81.9	80.2	82.0	0.0	82.0	1.7	2.2%	
Entitlements	\$3,693.0	\$3,733.6	\$3,854.6	\$29.2	\$3,825.4	\$91.8	2.5%	
Health	1,975.2	2,110.5	2,113.1	0.2	2,112.9	2.4	0.1%	
Human Resources	453.5	411.2	434.1	0.6	433.5	22.3	5.4%	
Children's Cabinet Interagency Fund	13.4	20.1	21.8	0.0	21.8	1.7	8.6%	
Juvenile Services	272.6	285.4	295.3	0.8	294.5	9.1	3.2%	
Public Safety/Police	1,522.9	1,612.2	1,666.7	1.8	1,664.9	52.7	3.3%	
Higher Education	5,072.1	5,362.8	5,539.8	10.5	5,529.4	166.5	3.1%	
Other Education	430.3	459.5	442.1	0.7	441.4	-18.0	-3.9%	
Transportation	1,558.6	1,608.2	1,655.2	0.1	1,655.1	46.9	2.9%	
Agric./Nat'l. Res./Environment	305.4	340.5	393.2	25.5	367.7	27.2	8.0%	
Other Executive Agencies	1,167.3	1,302.1	1,337.5	6.9	1,330.7	28.5	2.2%	
Legislative	77.8	80.0	83.1	0.3	82.8	2.8	3.5%	
Judiciary	432.6	460.0	497.4	10.4	487.0	26.9	5.9%	
Across-the-board Cuts	0.0	-54.4	0.0	67.1	-67.1	-12.7	23.3%	
State Agencies	\$13,281.8	\$13,998.2	\$14,479.3	\$124.7	\$14,354.7	\$356.4	2.5%	
Total Operating	\$24,675.5	\$25,748.3	\$26,775.5	\$361.8	\$26,413.7	\$665.4	2.6%	
Capital ⁽¹⁾	1,222.1	1,632.1	1,871.1	46.7	1,824.4	192.3	11.8%	
Subtotal	\$25,897.6	\$27,380.4	\$28,646.5	\$408.4	\$28,238.1	\$857.7	3.1%	
Reserve Funds	37.8	55.3	228.2	208.5	19.7	-35.5	-64.3%	
Appropriations	\$25,935.3	\$27,435.6	\$28,874.7	\$616.9	\$28,257.8	\$822.1	3.0%	
Reversions	0.0	-58.0	-30.0	0.0	-30.0	28.0	-48.2%	
Grand Total	\$25,935.3	\$27,377.7	\$28,844.7	\$616.9	\$28,227.8	\$850.1	3.1%	

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

Note: The fiscal 2014 working appropriation includes deficiencies, \$246.8 million in cost containment, \$40.8 million in targeted reversions, and House Appropriation Committee cuts to the deficiencies. The fiscal 2015 allowance includes \$21.0 million in reductions from Section 19 of the budget bill (SB 170). The fiscal 2015 appropriation includes \$269.1 million in reductions contingent on legislation offset by \$0.1 million in additional special funds due to funding swaps.

State Expenditures – All Funds (\\$ in Millions)

<u>Category</u>	<u>Actual FY 2013</u>	<u>APP</u>		<u>APP Reductions</u>	<u>APP</u>		<u>FY 2014 to FY 2015</u>	
		<u>Work. Appr. FY 2014</u>	<u>Allowance FY 2015</u>		<u>Appr. FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>	
Debt Service	\$1,090.3	\$1,195.3	\$1,294.8	\$50.0	\$1,244.8	\$49.4	4.1%	
County/Municipal	508.4	571.3	598.4	22.7	575.7	4.4	0.8%	
Community Colleges	272.3	281.3	304.7	8.6	296.1	14.8	5.3%	
Education/Libraries	6,624.2	6,752.8	7,065.8	126.6	6,939.2	186.5	2.8%	
Health	42.5	46.2	51.4	0.0	51.4	5.1	11.1%	
Aid to Local Governments	\$7,447.5	\$7,651.6	\$8,020.4	\$157.9	\$7,862.5	\$210.9	2.8%	
Foster Care Payments	298.4	346.3	333.7	5.0	328.7	-17.6	-5.1%	
Assistance Payments	1,373.5	1,287.7	1,447.7	2.1	1,445.6	157.8	12.3%	
Medical Assistance	6,764.2	7,216.6	7,945.8	49.0	7,896.8	680.2	9.4%	
Property Tax Credits	81.9	80.2	82.0	0.0	82.0	1.7	2.2%	
Entitlements	\$8,518.0	\$8,930.9	\$9,809.1	\$56.1	\$9,753.0	\$822.1	9.2%	
Health	3,152.4	3,497.0	3,489.1	20.3	3,468.8	-28.2	-0.8%	
Human Resources	932.3	934.3	951.3	0.7	950.5	16.2	1.7%	
Children's Cabinet Interagency Fund	13.4	20.1	21.8	0.0	21.8	1.7	8.6%	
Juvenile Services	281.2	292.8	302.5	0.8	301.7	8.9	3.0%	
Public Safety/Police	1,553.2	1,641.8	1,696.1	1.8	1,694.4	52.5	3.2%	
Higher Education	5,072.1	5,362.8	5,539.8	10.5	5,529.4	166.5	3.1%	
Other Education	665.7	798.8	682.6	0.7	681.9	-116.8	-14.6%	
Transportation	1,631.0	1,705.4	1,747.8	0.1	1,747.7	42.3	2.5%	
Agric./Nat'l. Res./Environment	366.9	408.8	459.5	25.5	434.1	25.2	6.2%	
Other Executive Agencies	1,763.9	1,876.2	1,882.3	6.9	1,875.4	-0.8	0.0%	
Legislative	77.8	80.0	83.1	0.3	82.8	2.8	3.5%	
Judiciary	438.1	465.5	497.6	10.4	487.3	21.8	4.7%	
Across-the-board Cuts	0.0	-63.2	0.0	75.4	-75.4	-12.2	19.2%	
State Agencies	\$15,948.2	\$17,020.5	\$17,353.7	\$153.2	\$17,200.5	\$180.1	1.1%	
Total Operating	\$33,003.9	\$34,798.4	\$36,477.9	\$417.1	\$36,060.8	\$1,262.5	3.6%	
Capital ⁽¹⁾	2,077.9	2,431.0	2,729.3	46.7	2,682.6	251.6	10.4%	
Subtotal	\$35,081.8	\$37,229.3	\$39,207.3	\$463.8	\$38,743.5	\$1,514.1	4.1%	
Reserve Funds	37.8	55.3	228.2	208.5	19.7	-35.5	-64.3%	
Appropriations	\$35,119.5	\$37,284.6	\$39,435.5	\$672.3	\$38,763.2	\$1,478.6	4.0%	
Reversions	0.0	-58.0	-30.0	0.0	-30.0	28.0	-48.2%	
Grand Total	\$35,119.5	\$37,226.6	\$39,405.5	\$672.3	\$38,733.2	\$1,506.5	4.0%	

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

Note: The fiscal 2014 working appropriation includes deficiencies, \$255.6 million in cost containment, \$40.8 million in targeted reversions, and House Appropriation Committee cuts to the deficiencies. The fiscal 2015 allowance includes \$23.8 million in reductions from Section 19 of the budget bill (SB 170). The fiscal 2015 appropriation includes \$277.4 million in reductions contingent on legislation offset by \$0.1 million in additional special funds due to funding swaps.

Fiscal Note

Summary of the Budget Bill – Senate Bill 170

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Higher Education Funds</u>	<u>Total Funds</u>
Governor's Allowance					
Fiscal 2014 Budget	\$15,775,377,972	\$7,740,284,179	\$9,858,731,182	\$4,054,412,900	\$37,428,806,233 ⁽¹⁾
Fiscal 2015 Budget	16,527,609,954	8,199,702,176	10,560,748,098	4,117,413,398	39,405,473,626 ⁽²⁾
Budget Reconciliation and Financing Act of 2014					
Fiscal 2014 Deficiencies	-\$174,463,553	-\$12,295,546	-\$8,770,214	\$0	-\$195,529,313
Fiscal 2015 Contingent Reductions	-181,359,500	-87,642,176 ⁽³⁾	-8,258,002	0	-277,259,678
Subtotal	-\$355,823,053	-\$99,937,722	-\$17,028,216	\$0	-\$472,788,991
House Appropriations Committee Reductions					
Fiscal 2014 Deficiencies	-\$5,646,211	\$0	-\$1,000,000	\$0	-\$6,646,211
Fiscal 2015 Budget	-319,507,668 ⁽⁴⁾	-28,437,131 ⁽⁴⁾	-47,093,359	0	-395,038,158
Total Reductions	-\$325,153,879	-\$28,437,131	-\$48,093,359	\$0	-\$401,684,369
Appropriations					
Fiscal 2014 Budget	\$15,595,268,208	\$7,727,988,633	\$9,848,960,968	\$4,054,412,900	\$37,226,630,709
Fiscal 2015 Budget	16,026,742,786	8,083,622,869	10,505,396,737	4,117,413,398	38,733,175,790
Change	\$431,474,578	\$355,634,236	\$656,435,769	\$63,000,498	\$1,506,545,081

⁽¹⁾ Reflects \$198.7 million in proposed deficiencies, including \$137.3 million in general funds, \$0.3 million in special funds, and \$61.1 million in federal funds. Reversion assumptions total \$66.9 million, including \$30.0 million in unspecified reversions and \$36.9 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 \$0.1 million in special funds that will be added back to the budget by budget amendment to replace general fund reductions.

⁽⁴⁾ Reflects additional general fund spending of \$9.7 million and a corresponding special fund reduction of \$9.7 million due to a lower gaming revenues estimate.

**General Fund Revenues
2014 Session Legislation
Proposed under the Governor's Budget Plan
Fiscal 2014 and 2015
(\$ in Millions)**

	<u>Admin.</u>	<u>Senate</u>	<u>APP</u>
<u>Fiscal 2014 Revenues</u>			
Chesapeake Bay Trust Fund	\$8.0	\$8.0	\$8.0
Total Fiscal 2014 Revenues	\$8.0	\$8.0	\$8.0
<u>Fiscal 2015 Revenues</u>			
Chesapeake Bay Trust Fund	\$3.2	\$3.2	\$6.2
Helicopter Sales	17.6	17.6	17.6
Lottery Commissions	7.3	7.3	7.3
Research and Development Tax Credit (HB 616)*	-0.4		
Film Tax Credit (HB 520)*	-3.5		
Total Fiscal 2015 Revenues	\$24.3	\$28.1	\$31.1

*Legislation pending in the House that was included in the Administration's budget plan.

General Fund Reductions and Transfers
Contingent on the Budget Reconciliation and Financing Act (SB 172)
(\$ in Millions)

	<u>Admin.</u> <u>Plan</u>	<u>Senate</u>	<u>APP</u>
Contingent Reductions – Fiscal 2014			
Savings from Reducing Pension Reinvestment	\$87.1	\$174.2	\$174.2
Assessments and Taxation – Use Charter Unit Funds for Operations	0.3	0.3	0.3
Total Reductions	\$87.4	\$174.5	\$174.5
Contingent Reductions – Fiscal 2015			
Savings from Reducing Pension Reinvestment	\$88.3	\$176.5	\$176.5
Community College Formula*	4.6	0.0	0.0
Aid to Private Colleges and Universities*	3.9	0.0	0.0
Medicaid Savings from Reduced MHIP Assessment	1.5	1.5	4.7
Level Fund MARBIDCO*	1.1	0.0	0.0
Assessments and Taxation – Use Charter Unit Funds for Operations	0.3	0.1	0.1
Total Reductions	\$99.7	\$178.2	\$181.4
Transfers – Fiscal 2014			
Biotech Tax Credit	\$0.7	\$0.7	\$0.7
Sustainable Communities Tax Credit	0.0	19.1	19.1
University System of Maryland	0.0	30.8	31.0
Senior Prescription Drug Assistance Program	0.0	1.0	1.0
Maryland Correctional Enterprises	0.8	0.8	0.8
Radiation Control – Department of the Environment	0.3	0.3	0.3
Chesapeake Bay Trust Fund	2.4	2.4	2.4
Total Transfers	\$4.2	\$55.1	\$55.2
Transfers – Fiscal 2015			
Sustainable Communities Tax Credit**	\$19.1	\$0.0	\$0.0
Transfer Tax	69.1	69.1	69.1
University System of Maryland	25.8	0.0	0.0
Total Transfers	\$114.0	\$69.1	\$69.1

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

MHIP: Maryland Health Insurance Program

*The Senate and the House Appropriations Committee made reductions; however, they are not contingent on legislation.

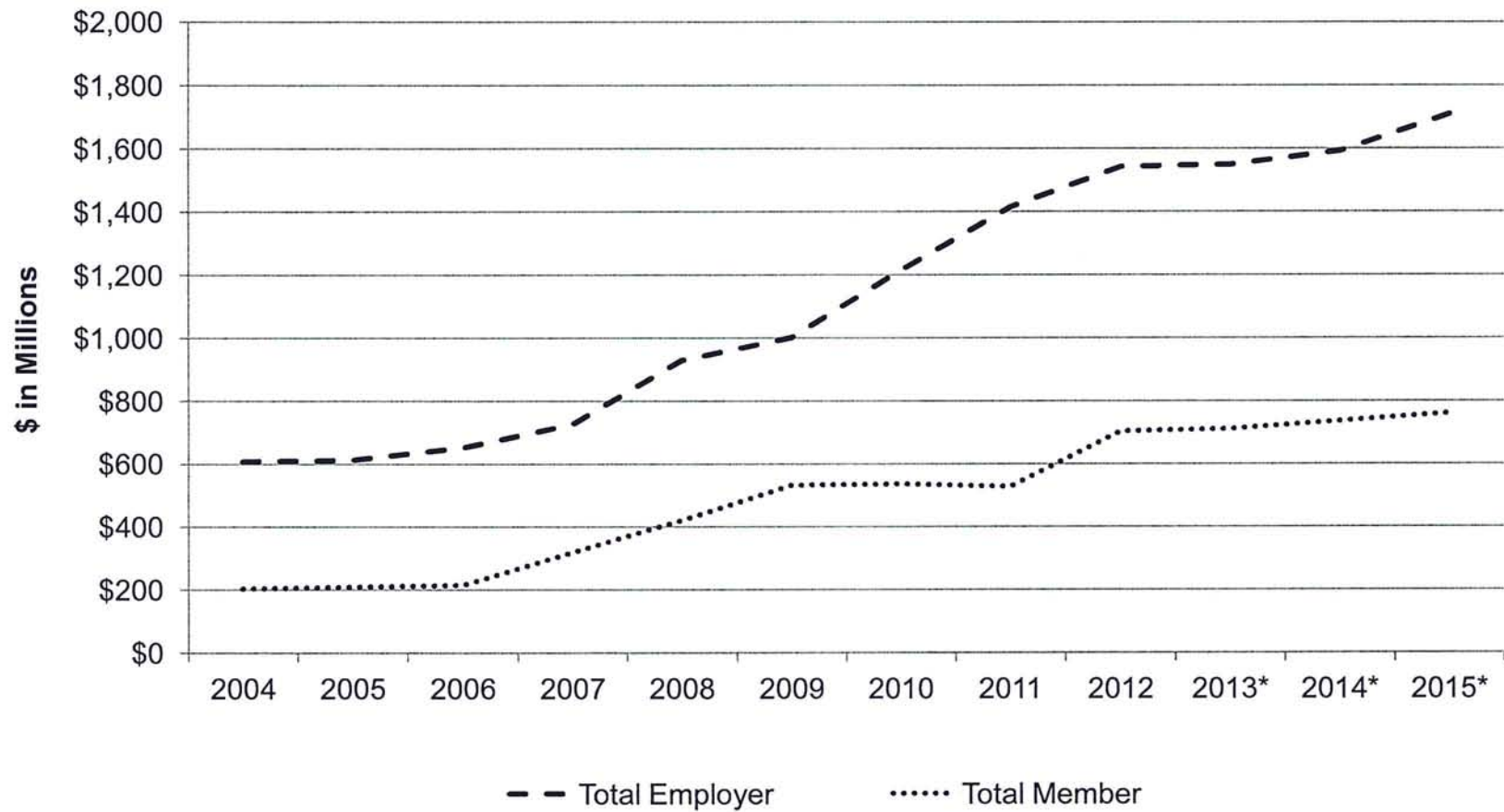
**Also contingent on the enactment of HB 510.

House Appropriations Committee Status as of March 24, 2014

	<u>FY 2014</u>	<u>FY 2015</u>
Starting General Fund Balance	\$501,897,613	\$96,099,584
Revenues		
BRE Estimated Revenues – December 2013	\$15,230,561,555	\$16,005,344,000
BRE Revenue Revision – March 2014	-126,659,611	-111,104,866
Budget Reconciliation Legislation – Revenues	8,000,000	31,145,833
Budget Reconciliation Legislation – Transfers	55,246,632	69,126,544
Additional Revenues	22,321,603	23,161,662
Subtotal Revenues	\$15,189,470,179	\$16,017,673,173
Subtotal Available Revenues	\$15,691,367,792	\$16,113,772,757
Appropriations		
General Fund Appropriations	\$15,644,697,888	\$16,557,609,954
Deficiencies	197,629,691	9,677,582
Legislative Reductions/Contingent Legislation	-180,109,764	-510,544,750
Estimated Agency Reversions	-66,949,607	-30,000,000
Subtotal Appropriations	\$15,595,268,208	\$16,026,742,786
Closing General Fund Balance	\$96,099,584	\$87,029,971

BRE: Board of Revenue Estimates

State Retirement and Pension System Total Employer and Employee Contributions Fiscal 2004-2015



14

* Figures for fiscal 2013 through 2015 include combined State and local shares for teachers; fiscal 2014 and 2015 include supplemental payments of \$100 million each.

Budget Reconciliation and Financing Act of 2014
Employer Pension Contributions
Fiscal 2014-2025
(\$ in Millions)

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Supplemental Payment</u>	<u>Total Contribution</u>
2014	\$1,453	\$100	\$1,553
2015	1,589	100	1,689
2016	1,726	150	1,876
2017	1,864	200	2,064
2018	2,020	250	2,270
2019	2,124	300	2,424
2020	2,201	300	2,501
2021	2,262	300	2,562
2022	2,317	300	2,617
2023	2,371	300	2,671
2024	2,426	300	2,726
2025	2,484	300	2,784

House Appropriations Committee Action on the Budget Reconciliation and Financing Act of 2014 (SB 172)

The Budget Reconciliation and Financing Act of 2014, as amended¹ by the House Appropriations Committee, accomplishes the following for the general fund:

Fiscal 2014 Fund Transfers	\$55.2 million
Fiscal 2015 Fund Transfers	69.1 million
Fiscal 2014 Revenues	8.0 million
Fiscal 2015 Revenues	31.1 million
Fiscal 2014 Expenditure Reductions	174.5 million
Fiscal 2015 Expenditure Reductions	181.4 million
Total Budgetary Action	\$519.3 million

Amend.
No.

Authorizes the State Department of Assessments and Taxation to use revenues in the Charter Unit Fund to cover up to 5% of the administrative expenses of the Office of the Director beginning in fiscal 2015 (Committee Reprint pages 6-7)

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 (pages 7-8)

Modifies the membership of the Maryland Amusement Game Advisory Committee (established to advise the State Lottery and Gaming Control Commission on issues related to the amusement industry) to include the Lottery Director as a non-voting member (pages 8-9)

2

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 (page 9)

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 (pages 9-10)

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

Community College Funding Formula – strikes the provisions as introduced and modifies, for fiscal 2016 through 2019, the percentage of per student funding for selected public institutions that is used to calculate the Cade formula (pages 10-13)

3

Clarifies that a community college is only eligible to receive a payment under the hold harmless component of the community college funding formula if the county government(s) meets maintenance of effort (page 13)

4

Sellinger Formula – strikes the provision as introduced and modifies, for fiscal 2016 through 2020, the percentage of per student funding for selected public institutions that is used to calculate the formula (pages 13-15)

Targeted Public Health Formula – clarifies that the inflation and population adjustments included in the formula are to be applied to the prior year’s grant, consistent with current practice (page 15)

Authorizes charter counties to impose a hotel rental tax (page 16)

Maryland Park Service – requires that at least a certain percentage of Park Service revenues be provided to the Park Service for its operations (pages 16-17)

5

Lottery Agent Commissions – permanently establishes commissions at 5.5% of gross receipts from ticket sales and repeals an agent incentive and bonus pool (pages 17-18)

State Employees and Teachers Retirement System – sets out the amount of supplemental contribution that is to be paid into the system, increasing to \$300 million in fiscal 2019 and thereafter; ends the supplemental contribution when the system is 85% funded and has exited the corridor method of payment; and requires the pension system to conduct certain actuarial studies (pages 18-20, 34-35)

Chesapeake and Coastal Bays 2010 Trust Fund – concurs with the Senate on the transfer for fiscal 2014; and for fiscal 2015, increases the revenue from the sales tax on vehicle rentals that is directed to the general fund by an additional \$3.0 million (page 20)

6

Increases by \$69.1 million the amount of transfer tax revenues directed to the general fund in fiscal 2015 (page 21)

Clarifies that, for purposes of local education maintenance of effort requirements, the wealth per pupil is calculated using September 1 net taxable income for fiscal 2015 through 2017; beginning in fiscal 2018, November 1 net taxable income will be used (pages 21-24)

Maryland Health Benefit Exchange – authorizes 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 (pages 24-25)

Racetrack Impact Aid – strikes a provision which would, for fiscal 2015 and 2016, direct a portion of the Racetrack Facility Renewal Account to local racetrack impact aid if needed to prevent a reduction of funding to local jurisdictions (page 25)

7

Modifies the allocation of revenue from Regional Greenhouse Gas Initiative auctions as follows: at least 50% for low-income energy assistance; at least 20% for energy efficiency and conservation projects; at least 20% for renewable and clean energy programs; and up to 10% but no more than \$5 million for administration (pages 25-27)

Speed Camera Revenue – in fiscal 2016 through 2018, requires that at least \$3,500,000 annually be used to purchase State Police vehicles and related equipment (page 27)

8

Strikes a provision that would permanently set the certificate of title fee for rental vehicles at \$50; Chapter 397 of 2011 temporarily set the fee at \$50 for fiscal 2012 through 2014 (page 27)

9

Modifies the process for the reduction of the Medicaid deficit hospital assessment based on savings to the Medicaid program that result from the new All-payer Model Contract by changing the agency in charge of the process (pages 28-29)

10

Reduces the annual hospital assessment levied for the Maryland Health Insurance Plan to a maximum of 0.3% (page 29)

11

Creates a Community Partnership Assistance Program to fund, through hospital rates, regional and statewide partnerships to improve the health and well-being of the community; funding is limited to \$15 million in fiscal 2015 and \$20 million in fiscal 2016 and thereafter (pages 29-32)

11

Strikes a provision that would require the Health Services Cost Review Commission to raise the rates of hospitals by \$30 million in fiscal 2015 only to provide funds to implement the new All-payer Model Contract (page 34)

11

Directs the proceeds from the sale of the Dauphin 365N Medevac helicopters to the general fund instead of the Annuity Bond Fund (page 34)

Strikes a provision which would have delayed until January 1, 2015, any increase in rates for payments to providers of nonpublic placements (page 34)

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 strikes a provision which would have delayed the implementation of any rate increase until January 1, 2015 (page 35)

Makes the following transfers to the general fund (page 35):

	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
Radiation Control Fund	\$300,000	
Biotechnology Investment Tax Credit Reserve Fund	650,000	
Senior Prescription Drug Assistance Program	1,000,000	
Maryland Correctional Enterprises Revolving Fund	800,000	
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	2,400,000	
Sustainable Communities Tax Credit Reserve Fund	125,000	
<i>University System of Maryland</i>	<i>31,000,000</i>	12

Baltimore City Community College – transfers \$9,000,000 from the college's fund balance to the Major Information Technology Development Fund for development of the college's Enterprise Resource Planning project (pages 35-36)

13

Sustainable Communities Tax Credit Reserve Fund – transfers \$19 million to the general fund, which is the amount of commercial tax credit certificates issued in fiscal 2006-2010 that have not been claimed or extended; provision is contingent on the enactment of HB 510 (pages 36, 37)

Modifies the charge to a State Department of Assessments and Taxation workgroup to study issues related to filing and enforcement of personal property taxes in addition to the calculation and administration of tax credits and exemptions; authorizes the agency to procure auditing assistance (pages 36-37)

14

Establishes the rate of interest to be paid for income tax refunds paid as a result of the Comptroller v. Brian Wynne case at the average prime rate of fiscal 2015; applies this provision to refunds attributable to tax years 2006 through 2014 (page 37)

15

Technical Amendments:

- *Purpose and function paragraphs* 1
- *Renumbering and other technical* 16

General Fund Budget Outlook
Fiscal 2014-2019
(\$ in Millions)

	FY 2014 Work. App.	FY 2015 Allowance	FY 2016 Est.	FY 2017 Est.	FY 2018 Est.	FY 2019 Est.	Average Annual Change 2015-2019
Revenues							
Opening Fund Balance	\$502	\$96	\$87	\$0	\$0	\$0	
Transfer	84	94	27	28	30	35	
Subtotal One-time Revenue	\$586	\$190	\$114	\$28	\$30	\$35	-34.5%
Ongoing Revenues	\$15,106	\$15,923	\$16,686	\$17,475	\$18,243	\$18,930	
Revenue Adjustments – Legislation	0	0	-21	-46	-77	-105	
Subtotal Ongoing Revenue	\$15,106	\$15,923	\$16,664	\$17,429	\$18,166	\$18,825	4.3%
Total Revenues and Fund Balance	\$15,691	\$16,114	\$16,778	\$17,457	\$18,196	\$18,860	4.0%
Ongoing Spending							
Operating Spending	\$16,079	\$16,745	\$17,613	\$18,238	\$19,017	\$19,789	
Education Trust Fund ¹	-372	-407	-419	-535	-563	-570	
Multi-year Commitments	10	10	10	10	10	10	
Ongoing Reductions	-180	-213	-176	-117	-80	-58	
Subtotal Ongoing Spending	\$15,537	\$16,135	\$17,028	\$17,595	\$18,384	\$19,171	4.4%
One-time Spending							
PAYGO Capital	\$33	\$1	\$66	\$86	\$101	\$101	
One-time Reductions	-29	-338	0	0	0	0	
Appropriation to Reserve Fund	55	228	100	50	50	50	
Subtotal One-time Spending	\$59	-\$108	\$166	\$136	\$151	\$151	
Total Spending	\$15,595	\$16,027	\$17,194	\$17,731	\$18,535	\$19,322	4.8%
Ending Balance	\$96	\$87	-\$415	-\$274	-\$339	-\$463	
Rainy Day Fund Balance	\$763	\$795	\$835	\$874	\$913	\$947	
Balance over 5% of General Fund Revenues	8	0	0	0	0	0	
As % of GF Revenues	5.05%	5.00%	5.00%	5.00%	5.00%	5.00%	
Structural Balance	-\$431	-\$212	-\$363	-\$166	-\$218	-\$347	

GF: general fund
PAYGO: pay-as-you-go

¹ Education Trust Fund is supported by revenues from video lottery terminals, table games, and savings from equipment leases.