
Mandated Appropriations in the Maryland State Budget

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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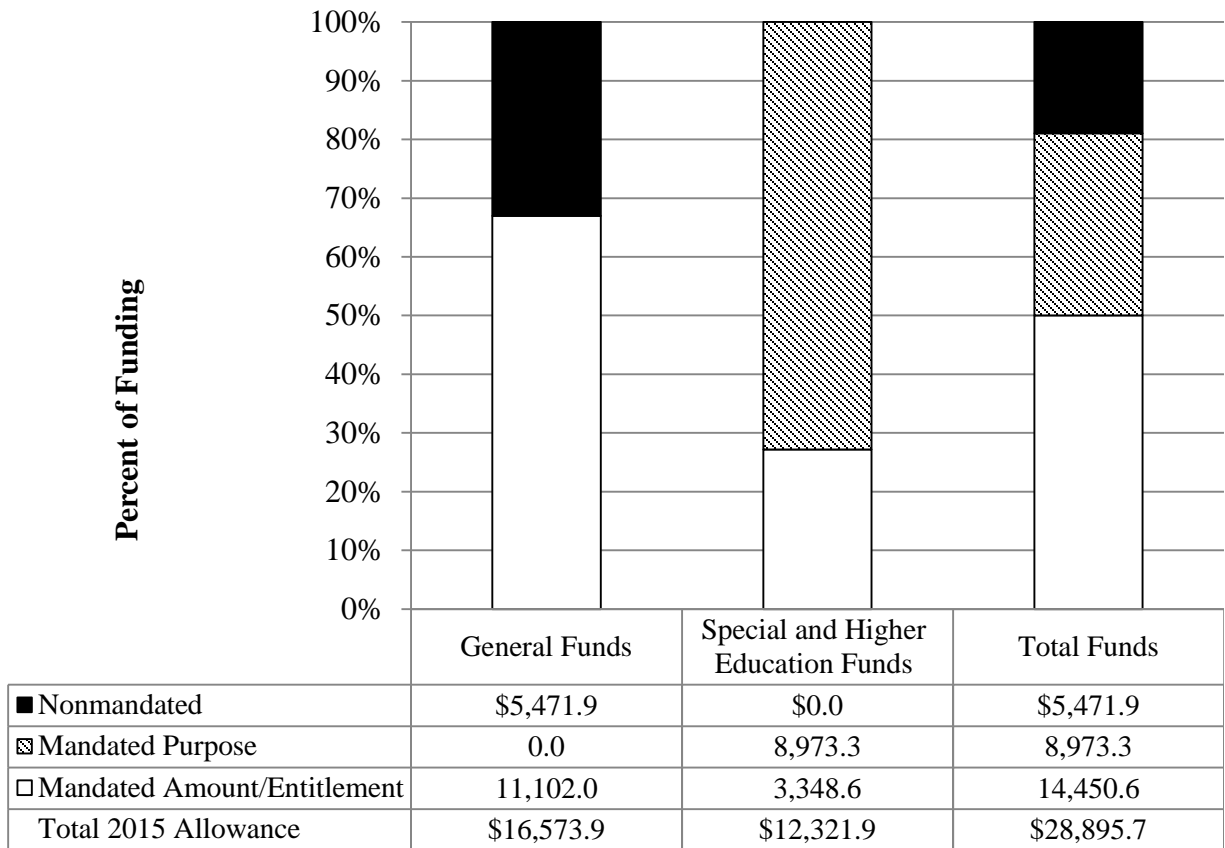
The State's own-source budget consists of:

- **Mandated Amounts/Entitlements:** General or special funds that have a statutory or constitutional requirement that designates a specific amount be appropriated or a specific formula be used to calculate the appropriation or that are required payments through an entitlement.
- **Funds with Mandated Purposes:** Special and higher education funds that have statutory dedications identifying a broad purpose for the funds but which allow the Governor discretion as to how the funds are allocated and used.
- **Nonmandated Funds:** General funds that allow the Governor substantial flexibility as to the administration and funding levels of the programs with which they are associated. In many cases, State law requires expenditures for these programs without specifically mandating the amount or purpose.

Altogether, proposed fiscal 2015 appropriations with a mandated amount or purpose total \$23.4 billion, or 81.1%, of the State-sourced portion of the budget. As seen in **Exhibit 1**, 67.0% of the fiscal 2015 general fund allowance and 27.2% of the special fund and higher education allowance are mandates or entitlements. The remaining 72.8% of the special fund and higher education allowance is dedicated for specific purposes.

Exhibit 2 shows that the allowance for higher education; public safety; and health, hospitals, and mental hygiene account for 62.3% of the approximately \$5.5 billion in nonmandated general funds.

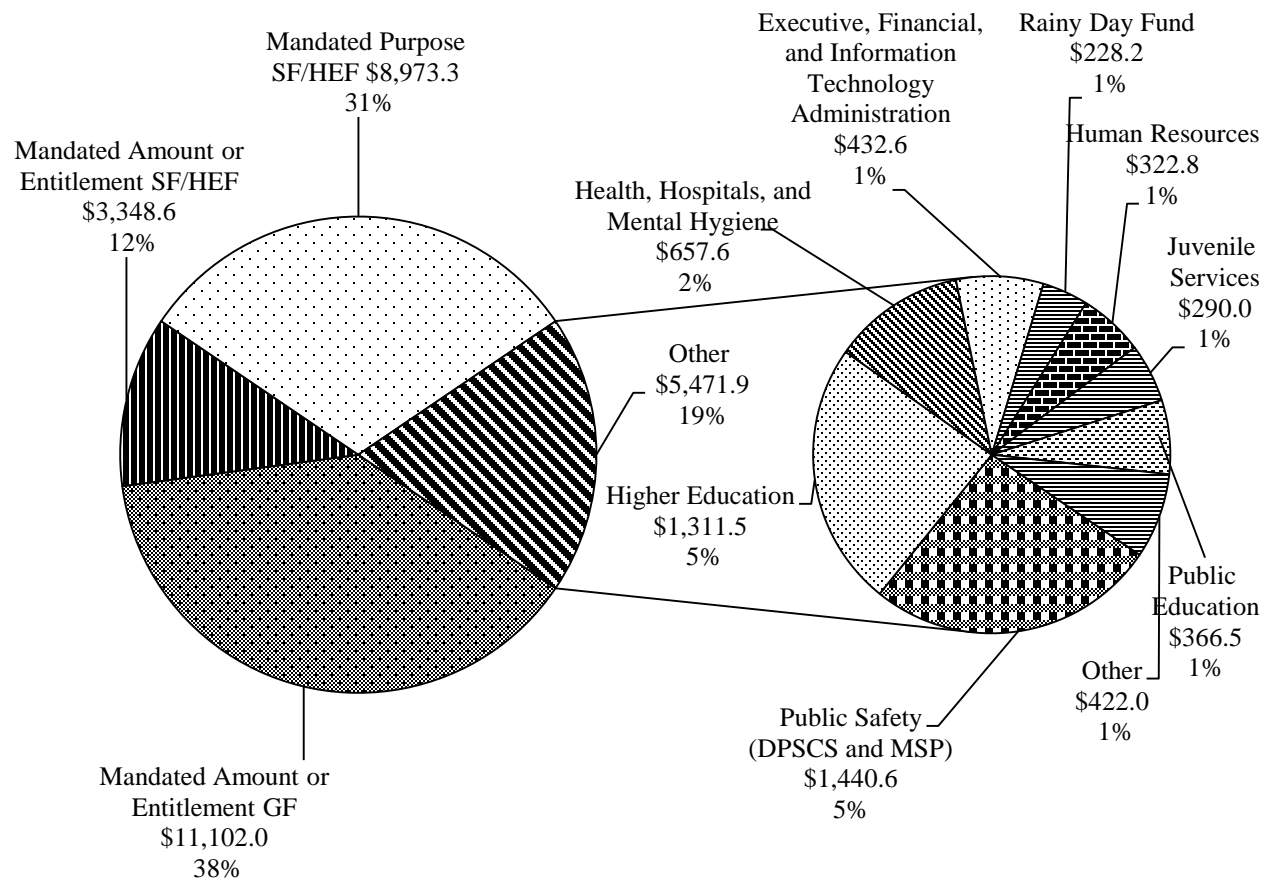
Exhibit 1
Maryland State Spending from Own-source Budget
Fiscal 2015 Allowance
(\$ in Millions)



Note: Numbers may not sum to total due to rounding. Fiscal 2015 special and higher education funds exclude the general and special fund portions of current unrestricted funds.

Source: Department of Legislative Services, Maryland Budget Highlights Fiscal 2015

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2015
(\$ in Millions)



DPSCS: Department of Public Safety and Correctional Services

GF: general fund

HEF: higher education fund

MSP: Maryland State Police

SF: special fund

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Exhibit 3 compares the mandated and nonmandated portions of the fiscal 2014 and 2015 allowances. Overall, State-sourced funding in the budget, as introduced by the Governor, was \$1.3 billion more in fiscal 2015. Mandated and entitlement appropriations in the allowance increased by \$440.1 million, or 3.1%. Special and higher education funding for a mandated purpose in fiscal 2015 is 8.8%, or \$727.2 million, more than fiscal 2014. Proposed nonmandated spending increased by \$92.8 million, or 1.7%.

Exhibit 3
Fiscal 2014 and 2015 Spending Comparison
(\$ in Millions)

<u>Total Funds</u>	<u>2014</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Mandated Amount or Entitlement	\$14,010.5	\$14,450.6	\$440.1	3.1%
Mandated Purpose	8,246.1	8,973.3	727.2	8.8%
Nonmandated	5,379.1	5,471.9	92.8	1.7%
Grand Total	\$27,635.7	\$28,895.7	\$1,260.1	4.6%

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Exhibit 4 reveals that K-12 education and health programs receive 82.3% of all mandated general fund spending in the allowance, with K-12 education comprising 50.8% alone. Health, transportation, and capital programs account for 82.0% of all special fund mandates in the allowance.

Exhibit 4
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2015 Allowance
(\$ in Millions)

<u>Policy Area</u>	<u>GF</u>	<u>% of GF</u>	<u>SF</u>	<u>% of SF</u>	<u>Total</u>	<u>% of Total</u>
Education, K-12	\$5,644.4	50.8%	\$417.0	12.5%	\$6,061.4	41.9%
Health	3,493.1	31.5%	1,009.1	30.1%	4,502.2	31.2%
Debt Service	195.0	1.8%	832.9	24.9%	1,027.9	7.1%
Transportation	0.0	0.0%	904.0	27.0%	904.0	6.3%
Education, Post-secondary	549.5	4.9%	0.4	0.0%	549.9	3.8%
Judiciary	432.5	3.9%	62.9	1.9%	495.4	3.4%
Human Services	394.5	3.6%	41.0	1.2%	435.5	3.0%
Nonspecific Aid	163.5	1.5%	1.1	0.0%	164.6	1.1%
Agriculture, Environment, and Natural Resources	14.2	0.1%	80.1	2.4%	94.3	0.7%
Administration and Legislative	85.4	0.8%	0.0	0.0%	85.4	0.6%
Economic Development and Housing	57.8	0.5%	0.0	0.0%	57.8	0.4%
Public Safety	72.1	0.6%	0.2	0.0%	72.3	0.5%
Total	\$11,102.0	100.0%	\$3,348.6	100.0%	\$14,450.6	100.0%

GF: general fund

SF: special fund

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

General fund programs that have mandates exceeding \$100 million account for 91.9% of all general fund mandated spending, as seen in **Exhibit 5**. Funding for the two largest mandated general fund programs, the Foundation Program and Medicaid, account for 44.9% of all mandated general fund spending. With respect to special and higher education funds, seven programs exceeded \$100 million, totaling 91.5% of all mandated special fund and higher education spending.

Exhibit 5
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2015
(\$ in Millions)

	<u>Approp.</u>	<u>% of Funds</u>
General Fund Programs		
Foundation Program – Education*	\$2,512.0	22.6%
Medical Assistance (Medicaid) Program	2,474.4	22.3%
Compensatory Education	1,251.7	11.3%
Aid for Local Employees Fringe Benefits	884.2	8.0%
Developmental Disabilities Administration Medical Assistance	575.0	5.2%
Judiciary	432.5	3.9%
Behavioral Health Administration for Medicaid Eligible Recipients	380.3	3.4%
Students with Disabilities – Formula	272.0	2.4%
Student Transportation – Formula	256.3	2.3%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	233.7	2.1%
Foster Care Payments	288.1	2.6%
Limited English Proficiency Grant	197.7	1.8%
Debt Service	195.0	1.8%
Disparity Grants	135.8	1.2%
Students with Disabilities – Nonpublic Placements	110.9	1.0%
Subtotal	\$10,199.5	91.9%
Other	\$902.5	8.1%
Total General Funds	\$11,102.0	100.0%
Special Fund Programs		
Debt Service	\$832.9	24.9%
Medical Assistance (Medicaid) Program	960.6	28.7%
Foundation Program – Education*	417.0	12.5%
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	285.6	8.5%

	<u>Approp.</u>	<u>% of Funds</u>
Transportation Debt Service	255.4	7.6%
Local Highway User Revenue Grants	169.7	5.1%
WMATA – Capital/Debt Service Subsidy	144.3	4.3%
Subtotal	\$3,065.5	91.5%
Other	\$283.1	8.5%
Total Special Funds	\$3,348.6	100.0%

*Foundation Program includes Supplemental Grants.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

When considering who benefits from mandated appropriations and entitlement programs, **Exhibit 6** reveals that 91.5% of general fund mandates are received by units of local government or individuals. Local governments receive substantial amounts for educational programs, while individuals primarily receive health funding. Approximately \$651.3 million, or 5.9%, of the allowance's general fund mandated spending is directed toward State government functions. The largest of these is funding for the Judiciary.

Exhibit 6
General Fund Mandated Appropriations by Type of Recipient
Fiscal 2015 Allowance
(\$ in Millions)

<u>General Fund Programs</u>	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Local Government		
Foundation Program – Education	\$2,512.0	22.6%
Compensatory Education	1,251.7	11.3%
Aid for Local Employees Fringe Benefits	884.2	8.0%
Students with Disabilities – Formula	272.0	2.4%
Student Transportation – Formula	256.3	2.3%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	233.7	2.1%
Limited English Proficiency Grant	197.7	1.8%
Disparity Grants	135.8	1.2%
Students with Disabilities – Nonpublic Placements	110.9	1.0%
Other	374.8	3.4%
Total	\$6,229.0	56.1%
Individuals		
Maryland Medical Assistance (Medicaid) Program	\$2,474.4	22.3%
Developmental Disabilities Administration Medical Assistance	575.0	5.2%
Community Services for Medicaid Eligible Recipients	380.3	3.4%
Foster Care Payments	288.1	2.6%
Need-based Higher Education Awards	84.8	0.8%
Property Tax Credits	82.0	0.7%
Other	49.3	0.4%
Total	\$3,933.9	35.4%
State Government		
Judiciary	\$432.0	3.9%
Legislative Branch	82.7	0.7%
Baltimore City Community College	41.8	0.4%
Other	94.9	0.9%
Total	\$651.3	5.9%

<u>General Fund Programs</u>	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Debt Service		
Debt Service	\$195.0	1.8%
Total	\$195.0	1.8%
Funds for Other Entities		
Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher Education	\$40.9	0.4%
Maryland School for the Blind	19.4	0.2%
Maryland State Arts Council	16.2	0.1%
SEED School of Maryland	10.1	0.1%
Maryland Agricultural and Resource-Based Industry Development Corporation	4.0	0.0%
Other	2.1	0.0%
Total	\$92.8	0.8%
Total Mandated and Entitlement General Funds	\$11,102.0	100.0%

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Exhibit 7, however, shows that debt service accounts for the largest portion of mandated special fund and higher education spending in the fiscal 2015 allowance, receiving approximately 32.5%. Individuals are the second largest recipient of special fund mandated spending at 30.4%, largely due to the Medicaid program, which is the largest single program recipient.

Exhibit 7
Special/Higher Education Fund Mandated Appropriations by
Type of Recipient
Fiscal 2015 Allowance
(\$ in Millions)

<u>Special Fund Programs</u>	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
State Government		
Judiciary	\$62.9	1.9%
Outdoor Recreation Land Loan Program which includes Program Open Space – State Share	48.7	1.5%
Other	16.3	0.5%
Total	\$127.9	3.8%
Local Government		
Foundation Program	\$417.0	12.5%
Local Highway User Revenue Grants	169.7	5.1%
Montgomery and Prince George’s County Bus Service Operating Subsidies	46.1	1.4%
Outdoor Recreation Land Loan Program which includes Program Open Space – Local Share	22.7	0.7%
Other	14.8	0.4%
Total	\$670.2	20.0%
Individuals		
Medical Assistance (Medicaid) Program	\$960.6	28.7%
Electric Universal Services Program	41.0	1.2%
Community Services for Medicaid Eligible Recipients	11.1	0.3%
Other	3.7	0.1%
Total	\$1,016.4	30.4%
Funds for Other Entities		
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	\$285.6	8.5%
WMATA – Capital/Debt Service Subsidy	144.3	4.3%
Statewide Academic Health Centers	13.0	0.4%
Other	2.8	0.1%
Total	\$445.8	13.3%

<u>Special Fund Programs</u>	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Debt Service		
Public Debt Allowance	\$832.9	24.9%
Transportation Debt Service	255.4	7.6%
Total	\$1,088.3	32.5%
Total Mandated and Entitlement Special Funds	\$3,348.6	100.0%

Source: Department of Legislative Services

Exhibit 8 shows trends in the proportion of total State spending in the allowance on mandates and entitlements between fiscal 2010 and 2015. Over this period, mandates as a percentage of total State spending increased to 53.9% in fiscal 2012 but was 50.0% in fiscal 2015, below the fiscal 2010 level. Within this total, the mandated general fund share peaked at 71.0% in fiscal 2012 but has since declined to 67.0% in fiscal 2015. When mandated purpose funds are included, the ratio of mandates and mandated purpose funds to total State spending also peaked in fiscal 2012 at 82.6%, falling to 81.1% in fiscal 2015.

Exhibit 8
Trends in Mandated Spending in the Allowance
Fiscal 2010-2015

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
GF Mandates as a % of GF Spending	67.4%	68.2%	71.0%	68.2%	66.7%	67.0%
Mandates as a % of Total Spending	51.2%	53.3%	53.9%	51.3%	50.7%	50.0%
Mandates/Mandated Purpose as a % of Total Spending	79.5%	80.4%	82.6%	81.4%	80.5%	81.1 %
Nonmandated	20.5%	19.6%	17.4%	18.6%	19.5%	18.9%

GF: general fund

Note: Numbers may not sum to total due to rounding. Fiscal 2010, 2011, and 2012 include federal funds from the American Recovery and Reinvestment Act that supplanted general funds. Fiscal 2011 and 2012 include funds from the Education Jobs and Medicaid Funding Act.

Source: Department of Legislative Services

There are two main reasons for the decline of mandated spending, and mandated and mandated purpose spending, as a percent of the total budget. One is several rounds of cost containment reductions made to mandates via budget reconciliation legislation, which revised downward out-year mandated amounts or formula percentages. The other factor is growth in discretionary spending. For example, cost-of-living adjustments and merit pay increases were not provided following the 2008 economic downturn but have been funded over the past couple years.