

Conference Committee
Summary Document on
House Bill 70 – the Budget Bill

and

**House Bill 72 – the Budget Reconciliation and
Financing Act**

Maryland General Assembly
Annapolis, Maryland

April 13, 2015

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**Fiscal 2016 Budget
Budget Bill (HB 70) and the Budget Reconciliation and
Financing Act of 2015 (HB 72) as
Amended by the Conference Committee**

- 1. Makes Sufficient Reductions to Exceed Affordability Guidelines and to Restore Funding for Legislative Priorities** – The Conference Committee’s budget proposal reduces general fund spending \$449 million across fiscal 2015 and 2016. The structural gap between revenues and spending is reduced by about 69.0%, well above the 50.0% target recommended by the Spending Affordability Committee. In addition, the savings make it possible to significantly scale back education reductions proposed by the Governor and to restore funding not included in the budget by the Governor for education, health care providers, and State employee salaries.
- 2. Preserves State Fund Balances** – Although the State’s revenues were revised downward in the fall by over \$300.0 million across fiscal 2015 and 2016, budget actions result in a general fund balance of over \$30.0 million, and the Rainy Day Fund balance will continue at 5% of general fund revenues, an amount estimated to be \$814.1 million.
- 3. Continues to Constrain Spending Growth** – Growth in total State spending is 1.5%. Spending supported by general tax dollars – the general fund – grows 2.8%. This budget growth is below the 3.8% to 4.1% forecasted growth in Maryland’s personal income for calendar 2015 and 2016.
- 4. Maintains the State’s Commitment to the Public Schools** – Under the legislative budget proposal, State support for public schools will be almost \$6.2 billion. Distributions to local school systems will increase an estimated \$138 million, or 2.6%. This increase reflects full funding of the foundation program that the Governor proposed to level fund and, with the cooperation of the Governor, the restoration of funding for the Geographic Cost of Education Index made possible by other budgetary savings.

- 5. Accelerates Funding Pension Systems at the Actuarially Determined Amount and Continues a Supplemental Payment –** Providing the actuarially determined amount each year, ensures that the pension funds will be 100% funded by 2039. Under the legislative plan, the State moves to full actuarial funding seven years early and continues to make a \$75 million supplemental payment until the systems are 85% funded. In addition, for four years up to \$50 million from prior years' unappropriated balances will be appropriated to the retirement system.
- 6. Continues to Provide Safety Net Health Care Services to Over One-fifth of Maryland's Population –** Maryland's ongoing commitment to taking advantage of the opportunity to expand Medicaid coverage under the federal Affordable Care Act has resulted in almost 1.2 million of our residents having access to health care. Total funding for health care providers in the Medicaid program approaches \$9 billion. However, the fiscal 2016 budget as introduced challenges the vibrancy of the Medicaid provider network as it included provider rate reductions of \$625 million compared to fiscal 2015 plus other cost containment. The committee has worked to mitigate some of those rate reductions, for example, to physicians, nursing homes, and community providers. The committee's budget proposal would also maintain coverage to pregnant women and for family planning, coverage that was not funded in the budget as introduced. In addition, funding for the developmentally disabled increases by over \$100 million over the current year.
- 7. Recognizes Efforts of State Workforce –** This year's constrained budget does not include funds for a general salary increase or merit increases in fiscal 2016; however, the committee has identified other budgetary savings that would allow the restoration of the modest 2% cost-of-living raise received by employees in January 2015 that has been rescinded in the fiscal 2016 budget.

Budget Summary
Fiscal 2015 and 2016
(\$ in Millions)

General Fund

	<u>Admin.</u>	<u>House</u>	<u>Senate</u>	<u>Conf.</u>
<u>Fiscal 2015</u>				
Ending Balance Before Legislative Action	-\$170.9	-\$170.9	-\$170.9	-\$170.9
Revenues – Legislation	10.8	10.8	10.8	10.8
Fund Transfers – Legislation	142.7	142.5	142.0	142.5
Expenditure Reductions – Deficiency Approp.*	3.7	20.0	19.6	19.6
Expenditure Reductions – Contingent on BRFA	49.1	50.7	50.7	50.7
Adjusted Ending Balance	\$35.4	\$53.1	\$52.2	\$52.7
<u>Fiscal 2016</u>				
Revenues – BRE Estimate	\$16,245.2	\$16,245.2	\$16,245.2	\$16,245.2
Other Revenues	36.3	36.3	36.3	36.3
Revenues – Legislation	11.3	26.5	24.5	25.8
Fund Transfers – Legislation	42.2	42.2	42.6	42.2
Transfer from Rainy Day Fund	34.0	34.0	34.0	34.0
Total Revenues and Balance	\$16,404.4	\$16,437.2	\$16,434.7	\$16,436.2
Expenditures – Allowance	\$16,581.6	\$16,581.6	\$16,581.6	\$16,581.6
Expenditure Reductions – Contingent on BRFA	-208.6	-113.5	-111.2	-111.2
Expenditure Reductions*	-11.1	-280.4	-290.9	-267.8
Legislative Priorities for Funding Restoration	0.0	178.6	202.6	201.7
Rainy Day Fund	0.0	0.0	0.0	0.0
Total Expenditures	\$16,361.8	\$16,366.4	\$16,382.1	\$16,404.2
Ending Balance (Revenues Less Expenditures)	\$42.5	\$70.9	\$52.6	\$31.9

Cash Position

General Fund Balance	\$42.5	\$70.9	\$52.6	\$31.9
Rainy Day Fund Balance – June 30, 2016	814.1	814.1	814.1	814.1
Total	\$856.6	\$885.0	\$866.7	\$846.0
Cash and Rainy Day Fund Over 5%	\$42.5	\$70.9	\$52.6	\$31.9

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

*Expenditure reductions for the Administration are assumed reversions in fiscal 2015 and 2016.

**Proposed Budget Reductions
House Bill 70
Fiscal 2016 Budget and Fiscal 2015 Deficiency Appropriations
(\$ in Millions)**

General Funds

	<u>House</u>	<u>Senate</u>	<u>Conf. Comm.</u>
<u>Local Aid</u>			
Community College Formula	\$9.0	\$9.0	\$9.0
C Education Aid Formulas – Delay Phase-in of Net Taxable Income Adjustment for One Year	11.9	11.9	11.9
C Quality Teacher Incentives – Limit to Teachers Eligible for Stipend in Fiscal 2014	13.4	13.4	13.4
C <i>Out of County Foster Placement Payments Overbudgeted in Fiscal 2015</i>	0.9	0.9	0.9
<i>Restore Fiscal 2015 Funds for Nonpublic Special Education Provider Rates</i>	0.0	-0.4	-0.4
C Extend Phase-in of Library Aid Enhancements	2.3	2.3	2.3
Reduce Aid for Local Health Departments	3.9	3.9	3.9
Level Fund Disparity Grant to Fiscal 2014	0.0	2.1	0.0
Level Fund Police Aid to Fiscal 2014	3.7	3.7	3.7
Total	\$45.2	\$47.0	\$44.8
<u>Medicaid</u>			
C <i>Reduce General Funds Due to Availability of MHIP Funds for Medicaid</i>	\$47.0	\$47.0	\$47.0
<i>Scale Back Deficiency Based on More Recent Estimates of Medicaid Costs</i>	20.0	20.0	31.0
C Delay Reducing Medicaid Deficit Assessment from Hospital Savings	14.5	14.5	14.5
Less Funding for Hospital Presumptive Eligibility	10.0	10.0	10.0
Reduce Academic Health Center CRF Monies to Fund Medicaid	3.6	0.0	0.0
Fiscal Agent Early Takeover Funding Not Required in Fiscal 2016	5.0	5.0	5.0
Less Funding for Health Homes	4.0	4.0	4.0
C Reduce Medicaid Hospital Expenditures by Eliminating the MHIP Assessment	3.2	3.2	3.2
Less Grant Funding/CRF Available	1.1	0.8	0.8
Total	\$108.3	\$104.4	\$115.4
<u>Higher Education</u>			
Baltimore City Community College	\$1.5	\$1.4	1.0
Reduce Aid for Private Higher Education Institutions	5.1	5.1	5.1
Total	\$6.6	\$6.5	\$6.1
<u>Personnel</u>			
C Repeal Pension Corridor Funding Method and Maintain \$75 Million Extra Payment	\$62.7	\$62.7	\$62.7
Judiciary – Employee Increments	5.2	5.2	5.2
Total	\$67.8	\$67.8	\$67.8
<u>State Agencies</u>			
New Positions – Judiciary	\$1.4	\$1.4	\$1.4
Eliminate Funding for Salary Reclassifications – Judiciary	9.5	9.5	9.5
Reduce Operating Expenses – Judiciary	3.4	2.8	3.4
No New Circuit and District Court Judges			2.0
Apply 2% Across-the-board Reduction to Judiciary and General Assembly	3.0	3.0	3.0
Funds for Medicaid Enterprise Restructuring Information Technology Project	7.8	6.8	6.8
Use Available CRF Funds for Tobacco Compliance Efforts – Behavioral Health Admin.	2.0	2.0	2.0
Reduce General Funds for Medical Marijuana Commission	1.0	1.0	1.0
Scale Back Developmental Disabilities Provider Rate Increase	6.5	2.6	2.6
Reduce Funds for Temporary Cash Assistance to Reflect Additional Federal Funds	10.0	13.0	13.0

C <i>Autism Waiver Overbudgeted in Fiscal 2015</i>	2.8	2.8	2.8
<i>Add Funds for Corrections and State Police Deficiencies (Redirected from Medicaid)</i>			-11.0
C Allow Use of Housing Counseling Fund for Operating Costs	2.4	2.4	2.4
Replace General Funds with Special Funds Available from Higher Vacancy Rate (DHCD)	1.2	1.2	1.2
C MD Park Service Payments to Counties in Lieu of Taxes	2.3	0.0	0.0
C Use More Waterway Improvement Funds for Administrative Costs	0.9	0.9	0.9
MARBIDCO – Reduce Grants to \$2.9 Million	1.1	1.1	1.1
Reduce Cybersecurity Tax Credit from \$2.0 Million to \$1.5 Million	0.5	0.5	0.5
Other Reductions	0.7	0.7	0.7
Total	\$56.6	\$51.8	\$43.5
<u>Debt Service/State Reserve Fund/Capital Spending</u>			
Additional Bond Premiums for Debt Service	\$40.0	\$40.0	\$21.6
Funding for Capital Projects – Fund with Bonds	0.0	15.0	10.2
Pay Back Local Income Tax Reserve Over 10 Years	90.0	90.0	90.0
Repay of Fiscal 2006 Transfer of Transfer Tax to General Fund	50.0	50.0	50.0
Total	\$180.0	\$195.0	\$171.8
Total General Funds	\$464.5	\$472.4	\$449.4
Reductions Also Incorporated in the Governor’s Budget Proposal	\$171.6	\$163.6	161.5
Total Reductions Proposed in Addition to the Governor’s Proposal	\$292.9	\$308.9	\$287.9

Note: Fiscal 2015 deficiency reductions in italics.

Special Funds

Salary Reclassifications and Increments – Judiciary	\$0.9	\$0.9	\$0.9
Reduce Funds for Academic Health Centers – Use Savings for Medicaid	3.6	0.0	0.0
C Less Funding for Maryland Health Benefit Exchange	0.1	1.5	0.1
Delete Funds for Consulting Contract – Child Support Enforcement	0.7	0.7	0.7
Reduce CRF Funding for Medicaid and Redirect for Nonpublic School Textbooks			4.0
Increase Nonpublic School Textbook Funding – Redirect CRF Medicaid Funding*	0.3	0.0	-4.0
EmPower Funds Overbudgeted – Housing and Community Development	8.0	8.0	8.0
C Reduce Programs Funded from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	8.6	8.6	8.6
No Reduction In Video Lottery Terminal Local Impact Aid to Fund Education	4.1	4.1	4.1
Reduce Funds for Preservation of Cultural Arts	0.0	0.3	0.0
C Repeal Pension Corridor Funding Method and Maintain \$75 Million Extra Payment	6.0	6.0	6.0
Other Reductions	0.1	0.0	0.0
Total	\$32.4	\$30.2	\$28.4
<u>Pay-as-you-go Capital</u>			
C Reduce Funds for Open Space, Rural Legacy, and Agricultural Land Preservation	\$37.7	\$37.7	\$37.7
Total	\$37.7	\$37.7	\$37.7
Total Special Funds	\$70.1	\$67.9	\$66.2

*Contingent on fully funding Geographic Cost of Education Index.

CRF: Cigarette Restitution Fund

DHCD: Department of Housing and Community Development

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 Act (HB 72).

Legislative Budget Priorities (\$ in Millions)

Administration Contingent Reductions Rejected or Modified

	<u>Admin</u>	<u>House</u>	<u>Senate</u>	<u>Conf.</u>
Level Fund Education Per Pupil Foundation	\$66.0	\$0.0	\$0.0	\$0.0
Reduce VLT Impact Aid and Transfer to Education Trust Fund	3.9	0.0	0.0	0.0
Phase-in State Support for Library for Blind & Handicapped	1.9	0.0	0.0	0.0
Delay Establishment of Deaf Culture Digital Library	0.2	0.0	0.0	0.0
Community College Formula	13.0	9.0	9.0	9.0
Aid to Private Colleges and Universities	6.5	5.1	5.1	5.1
Level Fund Local Health Grants to Fiscal 2014	7.8	3.9	3.9	3.9
Reduce Academic Health Center CRF Monies to Fund Medicaid	7.2	3.6	0.0	0.0
Provider Rates for Developmental Disabilities Administration	9.2	6.5	2.6	2.6
Level Fund Juvenile Services Provider Rates to Fiscal 2014	0.8	0.0	0.0	0.0
Park Service Payments in Lieu of Taxes in Fiscal 2016	2.5	2.3	0.0	0.0
Level Fund Maryland Arts Council to Fiscal 2014	1.4	0.0	0.0	0.0
Level Fund Disparity Grant to Fiscal 2014	2.1	0.0	2.1	0.0
Total Reductions	\$122.5	\$30.5	\$22.7	\$20.6

Budgeted Funds Restricted for Priorities Not Funded by Governor

Fiscal 2015 2% General Salary Increase	\$68.7	\$68.7	\$68.7
Geographic Cost of Education Index	68.0	68.1	68.1
Physician Rates (Primary Care – House/B&T; Specialty – B&T)	14.4	15.1	15.5
Psychiatrist Evaluation and Management Rates	1.6	1.0	1.1
Community Mental Health Provider Rates	6.5	6.5	6.5
Home- and Community-based Care Provider Rates	4.8	4.8	4.8
Medicaid Coverage for Pregnant Women and Family Planning	4.8	4.8	4.8
Developmental Disabilities Purchase of Care Grants	2.2	2.2	2.2
Developmental Disabilities Crisis Resolution Services	0.0	3.0	3.0
Adult Day Care Center Grants	2.1	2.1	2.1
Substance Abuse Treatment – Heroin Addiction	2.0	2.0	2.0
Maryland School for the Blind Additional Program Support	1.8	1.8	1.8
Nonpublic Special Education Placements Provider Rates	1.7	1.7	1.7
Prince George’s County Hospital Center	0.0	15.0	15.0
Nursing Home Rates	0.0	5.7	4.0
Children’s Medical Day Care Services	0.0	0.1	0.1
Charter School Funding Study	0.0	0.0	0.3
Total Funding for Priorities Not Funded by Governor	\$178.6	\$202.6	\$201.7

CRF: Cigarette Restitution Fund

VLT: Video Lottery Terminals

Final Budget Status

Status as of April 13, 2015

	<u>FY 2015</u>	<u>FY 2016</u>
Starting General Fund Balance	\$147,557,417	\$52,702,733
Revenues		
BRE Estimated Revenues – December 2014	\$15,691,891,844	\$16,245,199,325
Prior Budget Reconciliation Legislation	1,000,000	0
Budget Reconciliation Legislation – Revenues	10,828,500	14,390,502
Budget Reconciliation Legislation – Transfers	142,482,741	42,212,700
Other Legislation	0	11,400,000
Additional Revenues	23,288,420	36,250,077
Subtotal Revenues	\$15,869,491,505	\$16,349,452,604
Net Transfer to the GF from the Rainy Day Fund	0	34,000,000
Subtotal Available Revenues	\$16,017,048,922	\$16,436,155,337
Appropriations		
General Fund Appropriations	\$16,084,276,186	\$16,611,588,954
Deficiencies	254,434,775	0
Board of Public Works withdrawn Appropriations	-273,750,229	0
Legislative Reductions/Contingent Legislation	-70,323,005	-177,382,124
Estimated Agency Reversions	-30,291,538	-30,000,000
Subtotal Appropriations	\$15,964,346,189	\$16,404,206,830
Closing General Fund Balance	\$52,702,733	\$31,948,507

BRE: Board of Revenue Estimates
 GF: general fund

Spending Affordability Analysis
Conference Committee
Fiscal 2016
(\$ in Millions)

Target		
Estimated Structural Gap (Dec. 2014)		\$650
Target Reduction		\$325
Revenues	\$16,296	
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	-9	
Other One-time Items	-2	
Subtotal		\$16,285
Spending	\$16,404	
Rainy Day Fund	-50	
Medicaid CRF Funding	40	
One-time Reductions	37	
2% Across-the-board Reduction	91	
Prince George's Hospital Grant	-15	
Pay-as-you-go Capital	-20.6	
Subtotal		\$16,487
Amount Reduced from Structural Shortfall		\$449
Remaining Structural Gap		\$201

CRF: Cigarette Restitution Fund

State Expenditures – General Funds (\$ in Millions)

<u>Category</u>	Working	Allowance	Conference	Conference	Conference	FY 2015 to FY 2016	
	Appropriation	FY 2016	Reductions	Add Backs	Appropriation	\$ Change	% Change
	FY 2015	FY 2016	FY 2016	FY 2016	FY 2016		
Debt Service	\$140.0	\$274.0	-\$21.6	\$0.0	\$252.4	\$112.4	80.3%
County/Municipal	246.0	256.5	-3.7	0.0	252.8	6.8	2.8%
Community Colleges	290.5	307.3	-11.2	0.0	296.1	5.6	1.9%
Education/Libraries	5,770.3	5,878.0	-66.5	69.8	5,881.4	111.0	1.9%
Health	41.7	49.6	-3.9	0.0	45.7	3.9	9.4%
Aid to Local Governments	\$6,348.6	\$6,491.4	-\$85.3	\$69.8	\$6,476.0	\$127.3	2.0%
Foster Care Payments	222.8	193.0	0.0	0.0	193.0	-29.9	-13.4%
Assistance Payments	73.9	76.4	-13.0	0.0	63.4	-10.5	-14.2%
Medical Assistance	2,815.1	2,863.0	-37.4	36.7	2,862.3	47.2	1.7%
Property Tax Credits	82.0	81.7	0.0	0.0	81.7	-0.2	-0.3%
Entitlements	\$3,193.9	\$3,214.1	-\$50.4	\$36.7	\$3,200.4	\$6.6	0.2%
Health	1,262.0	1,289.8	-5.6	30.8	1,315.0	53.0	4.2%
Human Resources	324.5	358.3	0.0	3.3	361.6	37.1	11.4%
Children's Cabinet Interagency Fund	20.8	22.5	0.0	0.0	22.5	1.7	8.1%
Juvenile Services	278.1	279.4	0.0	2.4	281.8	3.6	1.3%
Public Safety/Police	1,421.1	1,431.5	0.0	15.6	1,447.2	26.1	1.8%
Higher Education	1,287.9	1,305.5	-1.0	31.0	1,335.4	47.5	3.7%
Other Education	389.8	399.7	-5.1	4.0	398.5	8.8	2.3%
Agric./Nat'l. Res./Environment	132.1	118.1	-2.0	1.5	117.6	-14.5	-10.9%
Other Executive Agencies	664.8	653.6	-11.6	6.7	648.7	-16.1	-2.4%
Legislative	82.3	84.3	-0.7	0.9	84.5	2.2	2.7%
Judiciary	429.9	475.0	-25.7	3.6	452.9	23.0	5.3%
Across-the-board Cuts	-7.5	-30.0	-19.9	0.0	-49.9	-42.4	565.0%
State Agencies	\$6,285.8	\$6,387.7	-\$71.6	\$99.7	\$6,415.8	\$130.0	2.1%
Total Operating	\$15,968.3	\$16,367.3	-\$228.9	\$206.2	\$16,344.6	\$376.3	2.4%
Capital ⁽¹⁾	11.5	39.8	-10.2	0.0	29.6	18.0	156.2%
Subtotal	\$15,979.8	\$16,407.0	-\$239.1	\$206.2	\$16,374.2	\$394.4	2.5%
Reserve Funds	14.8	200.0	-140.0	0.0	60.0	45.2	305.8%
Appropriations	\$15,994.6	\$16,607.0	-\$379.1	\$206.2	\$16,434.2	\$439.6	2.7%
Reversions	-30.3	-30.0	0.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$15,964.3	\$16,577.0	-\$379.1	\$206.2	\$16,404.2	\$439.9	2.8%

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

Note: The fiscal 2015 working appropriation reflects \$197.8 million in reductions approved by the Board of Public Works on January 7. It also includes deficiencies, \$66.6 million in Conference Committee reductions to the deficiencies of which \$47.0 million is contingent on legislation, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 allowance reflects \$297.9 million in reductions from Sections 19, 20, 21, and 23 of the budget bill and targeted reversions. The Conference Committee reductions include \$82.6 million contingent on legislation.

State Expenditures – State Funds (\$ in Millions)

<u>Category</u>	Working	Conference	Conference	Conference	FY 2015 to FY 2016		
	Appropriation FY 2015	Allowance FY 2016	Reductions FY 2016	Add Backs FY 2016	Appropriation FY 2016	\$ Change	% Change
Debt Service	\$1,283.3	\$1,402.0	-\$21.6	\$0.0	\$1,380.4	\$97.1	7.6%
County/Municipal	508.9	543.3	-16.6	0.0	526.8	17.9	3.5%
Community Colleges	290.5	307.3	-11.2	0.0	296.1	5.6	1.9%
Education/Libraries	6,157.1	6,272.0	-66.5	69.8	6,275.4	118.2	1.9%
Health	41.7	49.6	-3.9	0.0	45.7	3.9	9.4%
Aid to Local Governments	\$6,998.3	\$7,172.2	-\$98.1	\$69.8	\$7,143.9	\$145.6	2.1%
Foster Care Payments	228.3	197.8	0.0	0.0	197.8	-30.5	-13.4%
Assistance Payments	92.5	93.0	-13.0	0.0	80.0	-12.5	-13.5%
Medical Assistance	3,800.3	3,817.7	-41.4	37.7	3,814.0	13.7	0.4%
Property Tax Credits	82.0	81.7	0.0	0.0	81.7	-0.2	-0.3%
Entitlements	\$4,203.1	\$4,190.2	-\$54.4	\$37.7	\$4,173.5	-\$29.5	-0.7%
Health	1,736.5	1,720.1	-5.7	33.5	1,747.9	11.4	0.7%
Human Resources	421.4	449.6	-0.8	3.4	452.2	30.9	7.3%
Children's Cabinet Interagency Fund	20.8	22.5	0.0	0.0	22.5	1.7	8.1%
Juvenile Services	283.1	284.3	0.0	2.4	286.7	3.6	1.3%
Public Safety/Police	1,639.2	1,652.1	0.0	17.2	1,669.2	30.0	1.8%
Higher Education	5,381.4	5,490.9	-1.0	31.0	5,520.8	139.4	2.6%
Other Education	451.6	447.4	-1.1	4.1	450.5	-1.1	-0.2%
Transportation	1,671.4	1,751.9	0.0	6.6	1,758.5	87.1	5.2%
Agric./Nat'l. Res./Environment	360.5	379.5	-10.6	4.0	372.8	12.3	3.4%
Other Executive Agencies	1,356.0	1,328.0	-20.1	13.7	1,321.6	-34.4	-2.5%
Legislative	82.3	84.3	-0.7	0.9	84.5	2.2	2.7%
Judiciary	494.0	540.8	-26.8	3.6	517.6	23.6	4.8%
Across-the-board Cuts	-7.5	-30.0	-25.7	0.0	-55.7	-48.2	642.1%
State Agencies	\$13,890.8	\$14,121.5	-\$92.5	\$120.3	\$14,149.2	\$258.5	1.9%
Total Operating	\$26,375.4	\$26,886.0	-\$266.6	\$227.8	\$26,847.1	\$471.7	1.8%
Capital ⁽¹⁾	1,712.4	2,042.1	-35.1	1.5	2,008.6	296.2	17.3%
– Transportation	1,449.4	1,726.5	0.0	0.0	1,726.5	277.0	19.1%
– Environment	198.6	194.0	0.0	0.0	194.0	-4.6	-2.3%
– Other	64.3	121.6	-35.1	1.5	88.1	23.8	36.9%
Subtotal	\$28,087.8	\$28,928.1	-\$301.7	\$229.3	\$28,855.8	\$767.9	2.7%
Reserve Funds	14.8	200.0	-140.0	0.0	60.0	45.2	305.8%
Appropriations	\$28,102.6	\$29,128.1	-\$441.7	\$229.3	\$28,915.8	\$813.2	2.9%
Reversions	-30.3	-30.0	0.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$28,072.3	\$29,098.1	-\$441.7	\$229.3	\$28,885.8	\$813.4	2.9%

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

Note: The fiscal 2015 working appropriation reflects \$205.3 million in reductions approved by the Board of Public Works on January 7 and additional special funds spending of \$6.8 million due to funding swaps. It also includes deficiencies, \$70.7 million in Conference Committee reductions to the deficiencies of which \$47.0 million is contingent on legislation, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 allowance reflects \$25.0 million in spending from Supplemental Budget No. 1, \$326.4 million in reductions from Sections 19, 20, 21, and 23 of the budget bill and targeted reversions. The Conference Committee reductions include \$134.9 million contingent on legislation. The committee add backs include \$7.5 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds (\$ in Millions)

<u>Category</u>	Working	Allowance	Conference	Conference	Conference	FY 2015 to FY 2016	
	Appropriation	FY 2016	Reductions	Add Backs	Appropriation	\$ Change	% Change
	FY 2015	FY 2016	FY 2016	FY 2016	FY 2016		
Debt Service	\$1,294.8	\$1,413.5	-\$21.6	\$0.0	\$1,391.9	\$97.1	7.5%
County/Municipal	562.0	609.2	-16.6	0.0	592.7	30.7	5.5%
Community Colleges	290.5	307.3	-11.2	0.0	296.1	5.6	1.9%
Education/Libraries	6,959.5	7,119.3	-66.5	69.8	7,122.6	163.2	2.3%
Health	46.2	54.1	-3.9	0.0	50.2	3.9	8.5%
Aid to Local Governments	\$7,858.2	\$8,089.9	-\$98.1	\$69.8	\$8,061.6	\$203.4	2.6%
Foster Care Payments	319.0	296.5	0.0	0.0	296.5	-22.5	-7.1%
Assistance Payments	1,457.0	1,352.6	-13.0	0.0	1,339.6	-117.5	-8.1%
Medical Assistance	9,912.8	9,742.2	-63.7	106.2	9,784.8	-128.0	-1.3%
Property Tax Credits	82.0	81.7	0.0	0.0	81.7	-0.2	-0.3%
Entitlements	\$11,770.8	\$11,473.0	-\$76.7	\$106.2	\$11,502.5	-\$268.2	-2.3%
Health	2,748.3	2,662.1	-64.6	34.6	2,632.2	-116.2	-4.2%
Human Resources	935.9	947.4	-1.1	7.0	953.3	17.4	1.9%
Children's Cabinet Interagency Fund	20.8	22.5	0.0	0.0	22.5	1.7	8.1%
Juvenile Services	290.2	291.7	0.0	2.4	294.1	3.8	1.3%
Public Safety/Police	1,669.2	1,682.0	0.0	17.4	1,699.4	30.2	1.8%
Higher Education	5,381.4	5,490.9	-1.0	31.0	5,520.8	139.4	2.6%
Other Education	715.2	695.0	-1.1	5.4	699.3	-15.9	-2.2%
Transportation	1,765.1	1,846.8	0.0	6.7	1,853.5	88.4	5.0%
Agric./Nat'l. Res./Environment	431.6	443.6	-10.6	4.5	437.5	5.9	1.4%
Other Executive Agencies	1,932.7	1,894.9	-20.2	15.4	1,890.1	-42.6	-2.2%
Legislative	82.3	84.3	-0.7	0.9	84.5	2.2	2.7%
Judiciary	495.8	540.9	-26.8	3.6	517.7	21.9	4.4%
Across-the-board Cuts	-7.5	-30.0	-31.6	0.0	-61.6	-54.1	721.6%
State Agencies	\$16,461.3	\$16,572.1	-\$157.8	\$129.0	\$16,543.3	\$82.0	0.5%
Total Operating	\$37,385.0	\$37,548.6	-\$354.2	\$305.0	\$37,499.3	\$114.3	0.3%
Capital ⁽¹⁾	2,544.1	3,007.3	-35.1	2.2	2,974.5	430.4	16.9%
– Transportation	2,213.3	2,587.3	0.0	0.0	2,587.3	374.1	16.9%
– Environment	239.9	238.9	0.0	0.0	238.9	-1.0	-0.4%
– Other	90.9	181.1	-35.1	2.2	148.2	57.4	63.1%
Subtotal	\$39,929.1	\$40,555.9	-\$389.3	\$307.2	\$40,473.8	\$544.7	1.4%
Reserve Funds	14.8	200.0	-140.0	0.0	60.0	45.2	305.8%
Appropriations	\$39,943.9	\$40,755.9	-\$529.3	\$307.2	\$40,533.8	\$589.9	1.5%
Reversions	-30.3	-30.0	0.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$39,913.6	\$40,725.9	-\$529.3	\$307.2	\$40,503.8	\$590.2	1.5%

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

Note: The fiscal 2015 working appropriation reflects \$205.3 million in reductions approved by the Board of Public Works on January 7 and additional special fund spending of \$6.8 million due to funding swaps. It also includes deficiencies, \$70.7 million in Conference Committee reductions to the deficiencies of which \$47.0 million is contingent on legislation, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 allowance reflects \$25.0 million in spending from Supplemental Budget No. 1, \$344.1 million in reductions from Sections 19, 20, 21, and 23 of the budget bill and targeted reversions. The Conference Committee reductions include \$140.9 million contingent on legislation. The committee add backs include \$7.5 million in additional special fund spending due to funding swaps.

Fiscal Note

Summary of the Budget Bill – House Bill 70

	<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 2015 Budget	\$16,034,669,194	\$8,084,705,890	\$11,841,285,714	\$4,024,798,408	\$39,985,459,206 ⁽¹⁾
Fiscal 2016 Budget	16,581,588,954	8,382,472,744	11,627,804,125	4,113,590,873	40,705,456,696 ⁽²⁾
Supplemental Budget No. 1					
Fiscal 2015 Deficiencies	\$0	\$0	\$0	\$0	\$0
Fiscal 2016 Budget	0	25,000,000	0	0	25,000,000
Subtotal	\$0	\$25,000,000	\$0	\$0	\$25,000,000
Budget Reconciliation and Financing Act of 2015					
Fiscal 2015 Deficiencies	-\$47,000,000	\$0	\$0	\$0	-\$47,000,000
Fiscal 2016 Contingent Reductions	-84,863,497	-33,458,332 ⁽³⁾	3,365,000 ⁽³⁾	0	-114,956,829
Subtotal	-\$131,863,497	-\$33,458,332	\$3,365,000	\$0	-\$161,956,829
Conference Committee Reductions					
Fiscal 2015 Deficiencies	-\$23,323,005	-\$1,538,964 ⁽⁴⁾	\$0	\$0	-\$24,861,969
Fiscal 2016 Budget	-92,518,627	-6,051,188 ⁽⁵⁾	-13,115,837 ⁽⁵⁾	0	-111,685,652
Total Reductions	-\$115,841,632	-\$7,590,152	-\$13,115,837	\$0	-\$136,547,621
Appropriations					
Fiscal 2015 Budget	\$15,964,346,189	\$8,083,166,926	\$11,841,285,714	\$4,024,798,408	\$39,913,597,237
Fiscal 2016 Budget	16,404,206,830	8,367,963,224	11,618,053,288	4,113,590,873	40,503,814,215
Change	\$439,860,641	\$284,796,298	-\$223,232,426	\$88,792,465	\$590,216,978

⁽¹⁾ Reflects \$237.3 million in proposed deficiencies, including \$254.4 million in general funds, -\$31.6 million in special funds, \$15.4 million in federal funds, and -\$0.9 million in current unrestricted funds. Reversion assumptions total \$30.3 million, including \$30.0 million in unspecified reversions, and \$0.3 million in targeted reversions. There is also a -\$7.5 million across-the-board reduction to reflect savings from a Voluntary Separation Program. This also includes \$4.8 million in special funds that will be added back by budget amendment in fiscal 2015 to replace general fund reductions adopted by the Board of Public Works on January 7, 2015.

⁽²⁾ Reflects estimated general fund reversions of \$30.0 million. Across-the-board reductions total \$344.1 million reflecting a statewide 2% reduction, the Voluntary Separation Program, no funding for employee increments, and an additional across-the-board reduction of \$93.6 million.

⁽³⁾ Includes \$18.9 million in special funds and \$9.3 million in federal funds that will be added back to the budget by budget amendment in fiscal 2016 to replace general fund reductions or restore legislative priorities.

⁽⁴⁾ Includes \$2.0 million in special funds that will be added back to the budget by budget amendment in fiscal 2016 to replace general fund reductions.

⁽⁵⁾ Includes \$4.3 million in special funds and \$68.5 million in federal funds that will be added back to the budget by budget amendment in fiscal 2016 related to restricted funds to restore legislative priorities or general fund reductions.

General Fund Revenues
Budget Reconciliation and Financing Act of 2015 (HB 72)
Fiscal 2015 and 2016
(\$ in Millions)

	<u>Admin.</u>	<u>House</u>	<u>Senate</u>	<u>Conf. Comm.</u>
Fiscal 2015 Revenues				
Accelerate MCO Medical Loss Ratio Payment	\$10.0	\$10.0	\$10.0	\$10.0
Divert Sunny Day Repayment to General Fund	0.8	0.8	0.8	0.8
Total Fiscal 2014 Revenues	\$10.8	\$10.8	\$10.8	\$10.8
Fiscal 2016 Revenues				
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	\$8.6	\$8.6	\$8.6	\$8.6
Limit Earned Income Tax Credit to State Residents	3.8	3.8	3.8	3.8
Less Premium Tax Revenues for Health Benefit Exchange	1.5	0.1	1.5	0.1
Abandoned Property – Repeal Notification in Newspapers	0.6	0.0	0.0	0.0
Divert Sunny Day Repayment to General Fund	1.8	1.8	1.8	1.8
Unallocated Film Tax Credit	0.7	0.7	0.0	0.0
Total Fiscal 2015 Revenues	\$17.0	\$15.1	\$15.8	\$14.4
Other Legislation Pending Before the Legislature				
Tax Amnesty (SB 763/HB 1233)	\$0.0	\$11.4	\$11.4	\$11.4
Military Retirement Income (SB 592/HB 482)*	-2.7		-2.7	
Hometown Heroes Act (SB 594/HB 488)	-3.0			
Total – Other Legislation	-\$5.7	\$11.4	\$8.7	\$11.4

MCO: managed care organization (Medicaid)

*SB 592 has passed the Senate and is pending in the House.

**General Fund Transfers
Contingent on the Budget Reconciliation
and Financing Act of 2015 (HB 72)
(\$ in Millions)**

	<u>Admin. Plan</u>	<u>House</u>	<u>Senate</u>	<u>Conf. Comm.</u>
Transfers – Fiscal 2015				
Program Open Space Unencumbered Balance	\$10.5	\$10.5	\$10.5	\$10.5
Waterway Improvement Fund	2.2	2.2	2.2	2.2
Bay Restoration Fund	1.4	1.4	1.4	1.4
Strategic Energy Investment Fund	6.0	6.0	6.0	6.0
Jane E. Lawton Conservation Loan Fund	3.0	3.0	3.0	3.0
Heritage Areas Authority Financing Fund	0.2	0.0	0.0	0.0
Sustainable Communities Tax Credit Fund	0.1	0.1	0.1	0.1
Baltimore City Community College	4.0	4.0	3.5	4.0
Board of Nursing	2.5	2.5	2.5	2.5
Board of Physicians	1.8	1.8	1.8	1.8
Board of Pharmacists	1.6	1.6	1.6	1.6
Spinal Cord Trust Fund	0.5	0.5	0.5	0.5
Health Personnel Shortage Incentive Fund (MHEC)	1.7	1.7	1.7	1.7
Mortgage Lender Originator Fund	3.0	3.0	3.0	3.0
Helicopter Replacement Fund	0.3	0.3	0.3	0.3
State Unemployment Trust Fund	4.0	4.0	4.0	4.0
Local Income Tax Reserve Fund	100.0	100.0	100.0	100.0
Total Transfers	\$142.7	\$142.5	\$142.0	\$142.5
Transfers – Fiscal 2016				
Transfer Tax	\$37.7	\$37.7	\$37.7	\$37.7
Spinal Cord Trust Fund	0.5	0.5	0.5	0.5
State Unemployment Trust Fund	4.0	4.0	4.0	4.0
Fund for Preservation of Cultural Arts	0.0	0.0	0.3	0.0
Total Transfers	\$42.2	\$42.2	\$42.6	\$42.2

MHEC: Maryland Higher Education Commission

**General Fund Reductions
Contingent on the Budget Reconciliation
and Financing Act of 2015 (HB 72)
(\$ in Millions)**

	<u>House</u>	<u>Senate</u>	<u>Conf. Comm.</u>
Contingent Reductions – Fiscal 2015			
Authorize Maryland Health Insurance Program Balance for Medicaid	\$47.0	\$47.0	\$47.0
Autism Waiver/Out-of-county Placements Overbudgeted	3.7	3.7	3.7
Total Reductions	\$50.7	\$50.7	\$50.7
Contingent Reductions – Fiscal 2016			
Delay Net Taxable Income Formula Phase-in for One Year	\$11.9	\$11.9	\$11.9
Quality Teacher Incentives – Limit Teachers Eligible for Stipend	13.4	13.4	13.4
Phase-in Library Aid Formula Enhancements	2.3	2.3	2.3
Delay Reducing Medicaid Deficit Assessment from Hospital Savings	14.5	14.5	14.5
Medicaid Savings from Eliminating Hospital Assessment for MHIP	3.2	3.2	3.2
Eliminate Park Service Payments in Lieu of Taxes in Fiscal 2016	2.3	0.0	0.0
Swap Waterway Improvement Funds for General Funds	0.9	0.9	0.9
Allow Use of Housing Counseling Fund for Operating Costs	2.4	2.4	2.4
Repeal Pension Corridor Funding/Maintain \$75 M Extra Payment	62.7	62.7	62.7
Total Reductions	\$113.5	\$111.2	\$111.2

MHIP: Maryland Health Insurance Program

Conference Committee's Pension Funding Plan

- The Conference Committee proposal requires the State to make annual supplemental payments to the pension fund of \$75.0 million in excess of the actuarially determined contribution until the system is 85% funded, which is projected to be fiscal 2028.
- The proposal also requires that, from fiscal 2017 through 2020, one-half of any unappropriated general fund balance in excess of \$10.0 million be paid to the pension fund, up to a maximum of \$50.0 million annually.
- Under the plan, the pension fund is projected to reach the 80% funding level by fiscal 2023, the original goal established by the 2011 pension reform legislation; to the extent that the "sweeper" provision results in additional payments being made to the pension fund, it may reach the 80% funding level by fiscal 2022.
- The plan will make Maryland the only AAA-rated state that is required by law to make an annual supplemental contribution to its pension fund, even though several AAA-rated states (including Virginia) have worse pension funding levels than Maryland.
- According to the General Assembly's consulting actuary, the plan is a "substantial step forward" in implementing a pension funding plan that is consistent with current actuarial practice. It also, according to the State Retirement and Pension System's own actuary, achieves 100% actuarial funding at the same time as current law.

Proposed Change in Direct State Aid to Public Schools Fiscal 2016

County	Current Law	Governor's Plan	Difference ¹	Percent Difference	Conference Committee Plan ²	Difference vs. Governor's Plan	Percent Difference
Allegany	\$78,266,723	\$77,062,773	-\$1,203,950	-1.5%	\$77,892,856	\$830,083	1.1%
Anne Arundel	345,113,947	335,530,425	-9,583,522	-2.8%	344,507,356	8,976,931	2.7%
Baltimore City	899,879,564	878,031,938	-21,847,626	-2.4%	899,652,622	21,620,684	2.5%
Baltimore	623,594,263	612,939,557	-10,654,706	-1.7%	623,594,263	10,654,706	1.7%
Calvert	81,128,979	78,737,324	-2,391,655	-2.9%	80,850,284	2,112,960	2.7%
Caroline	50,383,645	49,643,994	-739,651	-1.5%	50,192,626	548,632	1.1%
Carroll	132,919,986	129,572,709	-3,347,277	-2.5%	132,410,706	2,837,997	2.2%
Cecil	101,037,595	99,278,702	-1,758,893	-1.7%	100,523,733	1,245,031	1.3%
Charles	165,083,541	160,412,384	-4,671,157	-2.8%	164,174,470	3,762,086	2.3%
Dorchester	40,247,454	39,667,445	-580,009	-1.4%	40,112,915	445,470	1.1%
Frederick	235,429,161	228,830,675	-6,598,486	-2.8%	235,030,472	6,199,797	2.7%
Garrett	20,924,945	20,614,440	-310,505	-1.5%	20,821,351	206,911	1.0%
Harford	205,142,622	201,896,534	-3,246,088	-1.6%	204,386,800	2,490,266	1.2%
Howard	232,658,711	226,983,442	-5,675,269	-2.4%	232,516,281	5,532,839	2.4%
Kent	9,733,700	9,625,635	-108,065	-1.1%	9,699,452	73,817	0.8%
Montgomery	654,984,472	629,475,714	-25,508,758	-3.9%	654,984,472	25,508,758	4.1%
Prince George's	1,068,547,831	1,030,550,421	-37,997,410	-3.6%	1,063,526,985	32,976,564	3.2%
Queen Anne's	35,238,201	34,455,194	-783,007	-2.2%	35,140,314	685,120	2.0%
St. Mary's	100,042,958	98,335,529	-1,707,429	-1.7%	99,647,969	1,312,440	1.3%
Somerset	29,157,295	28,745,742	-411,553	-1.4%	29,051,752	306,010	1.1%
Talbot	13,633,939	13,482,035	-151,904	-1.1%	13,633,939	151,904	1.1%
Washington	166,678,637	164,063,649	-2,614,988	-1.6%	166,003,634	1,939,985	1.2%
Wicomico	134,436,712	132,467,691	-1,969,021	-1.5%	133,964,678	1,496,987	1.1%
Worcester	19,813,372	19,595,824	-217,548	-1.1%	19,813,372	217,548	1.1%
Unallocated	60,601,694	60,462,687	-139,007	-0.2%	48,901,694	-11,560,993	-19.1%
Total	\$5,504,679,947	\$5,360,462,463	-\$144,217,484	-2.6%	\$5,481,034,995	\$120,572,532	2.2%

¹ Includes \$68.1 million in reductions to Geographic Cost of Education Index (GCEI) grants.

² The per pupil foundation amount is level funded under the Governor's plan. The Conference Committee plan fully funds the per pupil foundation amount (a difference of \$64.0 million). In addition, the committee plan restores the GCEI grants to full funding by providing an additional \$68.1 million. However, restoration of the GCEI funding is at the discretion of the Governor.

Conference Committee Action on the Budget Reconciliation and Financing Act of 2015 (HB 72)

The Budget Reconciliation and Financing Act of 2015, as amended¹ by the Conference Committee, accomplishes the following for the general fund:

Fiscal 2015 Fund Transfers	\$142.5 million
Fiscal 2016 Fund Transfers	42.2 million
Fiscal 2015 Revenues	10.8 million
Fiscal 2016 Revenues	14.4 million
Fiscal 2015 Expenditure Reductions	50.7 million
Fiscal 2016 Expenditure Reductions	111.2 million
Total Budgetary Action	\$371.8 million

Strikes the provision that would have eliminated the requirement that the Comptroller publish in newspapers of general circulation notices of abandoned property

Controlled Dangerous Substance Permits – Authorizes the Department of Health and Mental Hygiene to issue controlled dangerous substances permits on a triennial, rather than biennial, basis

Maryland Agricultural and Resource-Based Industry Development Corporation – Reduces the mandated funding level from \$4.0 million to \$2.875 million for fiscal 2016 through 2024 and extends the period for the corporation to receive a grant by three years

Requires local school boards to report to the State if that system has a structural deficit that requires a transfer of reserve funds

Education Aid – Strikes a provision that would have frozen the target per pupil foundation amount for fiscal 2016 and strikes the provision that would have altered the mandated growth rates for fiscal 2017 through 2020

Education Aid – Extends the phase-in of the Net Taxable Income grants by one year to fiscal 2019

¹ Conference Committee changes to the bill as passed by the Senate, in whole or in part, are noted in *italics*.

Community College Funding Formula – Strikes the provisions as introduced to reduce the Cade formula funding by \$13 million and instead reruns the formula and restores \$4 million in fiscal 2016; and strikes the provision that would have altered the out-year percentages to moderate growth

Sellinger Formula – Strikes the provision to reduce the Sellinger formula by \$6.5 million and instead restores \$1.4 million in fiscal 2016; and strikes the provision that would have altered the out-year percentages to moderate growth

Deaf Culture Digital Library – Strikes the provision to delay the implementation of the Deaf Culture Digital Library

Library Aid – Slows and extends the phase-in of mandated increases to the per resident amount for aid to regional and State library resource centers and local public libraries through fiscal 2025

Maryland Library for the Blind and Physically Handicapped – Strikes a provision that would have phased-in mandated State support for the library

Local Health Grants – Strikes a provision that would have frozen fiscal 2016 funding for local health grants at the fiscal 2014 level

Developmental Disabilities Administration Provider Rates – Strikes a provision that would have reduced the mandated rate increase for community service providers from 3.5% to 1.75% for fiscal 2016

Academic Health Centers – Strikes a provision that would have reduced the mandated funding from the Cigarette Restitution Fund for academic health centers

Maryland Health Benefit Exchange – Strikes a provision that would have removed the mandated funding requirement for the exchange

Disparity Grant – Strikes the provision that would have frozen the disparity grant at a reduced level beginning in fiscal 2016

Maryland Department of Environment Oil Fund – Allows the Oil Fund to be used for the purposes of the Reimbursement Fund, including the reimbursement of underground storage tank owners for the cost incurred during site cleanups

Developmental Disabilities Provider Rates – Alters the accountability provisions related to community providers and direct employee wages

Park Revenue Sharing – Prohibits park revenue sharing payments to counties from the Forest or Park Reserve Fund non-timber earnings and from the Forest and Park Concession Account in fiscal 2015 only

Waterway Improvement Fund – Allows the use of the fund for fund-related administrative expenses under the Department of Natural Resources, allowing for a contingent reduction of \$875,000 in general funds in fiscal 2016 and permanently allows the use of the fund for the dredging of lakes, ponds, and reservoirs owned by the State

State Police Helicopter Replacement Fund – Permanently repeals the fund

Local Police Aid – Alters the mandated funding level for State Aid for Police Protection grants to \$67,277,067 for fiscal 2015 and 2016

Transfer Tax Repayment – Strikes a provision that would have repealed the requirement that transfer tax funds diverted to the general fund since fiscal 2006 be repaid and instead modifies a provision to delay repayment until fiscal 2019

Maryland State Arts Council – Strikes a provision that would have set the fiscal 2016 mandated funding level at the fiscal 2014 level

Prevailing Wage Penalties – Strikes a provision to increase liquidated damages for specific violations under the Prevailing Wage law

Use of the Strategic Energy Investment Fund – Authorizes grants for combined heat and power projects at industrial facilities from the Strategic Energy Investment Fund

Local Income Tax Reserve – Modifies the repayment of funds from the local income tax reserve account to \$10 million per year through fiscal 2025

Short-term Vehicle Rentals – Revenue from the sales tax on vehicle rentals that is credited to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be redirected to the general fund in fiscal 2016 increases by a total of \$8.6 million

Earned Income Tax Credit – Modifies a provision to specify that the earned income tax credit is applicable to Maryland residents only

Film Production Activity Tax Credit – Strikes the provision that would have reduced the cap on the film production activity tax credit in fiscal 2016 from \$7.5 million to \$6,816,237

Cybersecurity Tax Credit – Reduces the mandated level of general funds from \$2.0 million to \$1.5 million in fiscal 2016

Transfer Tax Underattainment – Modifies the transfer tax underattainment provision to allow for the use of any fiscal 2015 transfer tax overattainment in fiscal 2016 only due to timing concerns

Transfer Tax – Increases the revenue from the transfer tax that is directed to the general fund in fiscal 2015 by \$37,712,700

Consolidated Transportation Program Detail – Adds a provision requiring the Maryland Department of Transportation to report the effects on the Consolidated Transportation Program that result from proposed major changes in revenues or non-capital spending

Maryland Transportation Authority – Adds a provision requiring the Maryland Transportation Authority to adhere to its financial plan

Maryland Aviation Administration – Alters the requirement that the Maryland Aviation Administration Fire Rescue Service charge an ambulance transport fee

Watershed Implementation Plan – Strikes the provision that permanently transfers the funding mandate requirement for transportation projects necessary to comply with the Watershed Implementation Plan to the Transportation Trust Fund but instead allows the use of the Transportation Trust Fund for one year for this purpose

Medicaid Deficit Assessment – Alters a reduction to the Medicaid Deficit Assessment to \$25 million per year beginning in fiscal 2017

Health Services Cost Review Commission – Modifies a provision to limit expected savings to Medicaid from lower rates for uncompensated care to fiscal 2016 only and makes other clarifying changes

Maryland Transportation Authority – Alters the requirement of a study to be performed by the Maryland Transportation Authority related to innovative procurement methods

Quality Teacher Incentives – Freezes eligibility under the Quality Teacher Incentive program in fiscal 2016 to teachers who teach in a school identified as a comprehensive needs school in fiscal 2014 and sunset a portion of the program after fiscal 2016

Retirement Funding – Repeals the corridor funding method and retains a \$75 million supplemental contribution for the State Retirement and Pension System until the system is 85% funded. *Requires that one-half of any unappropriated general fund balance in excess of \$10 million be appropriated to the pension fund, up to \$50 million, beginning in fiscal 2017 and ending in fiscal 2020. By 2019, this provision will be re-evaluated*

Wynne Decision – Adds a provision authorizing the State income tax credit for taxes paid to other states to be claimed against the local income tax, contingent on a decision by the U.S. Supreme Court in Maryland State Comptroller of the Treasury vs. Brian Wynne against the Comptroller. Further, an uncodified contingent section is added that determines the distribution of refunds and interest owed by county and municipal governments that may result from the case

Nonpublic Placements – Modifies a provision to freeze nonpublic placement provider rates at the fiscal 2015 level rather than the fiscal 2014 level

Provider Rates – Modifies a provision to freeze provider rates set by the Interagency Rates Committee at the fiscal 2015 level rather than the fiscal 2014 level

Cost-of-living Adjustments – Modifies a provision to allow cost-of-living salary adjustments in fiscal 2016

Critical Staff – Authorizes agencies to give merit increases to employees that are designated as operationally critical

Salary Plans – Prohibits the Administration from adopting pay plans in fiscal 2016 that pay less than plans on January 1, 2015, but allows the Administration to institute a furlough or temporary salary reduction without Board of Public Works approval

Housing Counseling and Foreclosure Mediation Fund – Allows the use of the fund for operational expenses under the Department of Housing and Community Development, allowing for a contingent reduction of \$2.4 million in general funds in fiscal 2016

Maryland Health Insurance Plan Fund Balance – Modifies a provision to increase the amount of the fund balance transfer under the Maryland Health Insurance Plan fund balance and adds language expanding the use of fund balance to improve outcomes for high-need Medicare and dually-eligible Medicare and Medicaid patients

Sunny Day Fund – Requires any repayments received by the Department of Business and Economic Development related to loans under the Sunny Day Fund be deposited into the general fund in fiscal 2015 and 2016

Make the following transfers to the general fund:

	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>
Local Income Tax Reserve Account	\$100,000,000	
Program Open Space Unencumbered Balance	10,500,000	
Program Open Space		\$37,712,700
Strategic Energy Investment Fund	6,000,000	
<i>Baltimore City Community College</i>	<i>4,000,000</i>	
State Unemployment Trust Fund	4,000,000	4,000,000
Jane E. Lawton Conservation Loan Fund	3,000,000	
Mortgage Lender – Originator Fund	3,000,000	
Board of Nursing	2,500,000	
Waterway Improvement Fund	2,180,000	
Board of Physicians	1,800,000	
Health Personnel Shortage Incentive Fund	1,700,000	
Board of Pharmacy	1,600,000	
Bay Restoration Fund	1,375,000	
Spinal Cord Injury Research Trust Fund	500,000	500,000

	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>
<i>Preservation of Cultural Arts</i>		0
State Police Helicopter Replacement Fund	269,741	
Sustainable Communities Tax Credit Reserve	58,000	
Total	\$142,482,741	\$42,212,700

Strategic Energy Investment Fund – Modifies the provision to specify that any transferred funds come from the non-energy assistance accounts within the fund

State Police Helicopter Replacement Fund – Adds a provision that specifies that certain ticket surcharge revenue be redirected from the repealed State Police Helicopter Replacement Fund to the general fund

Video Lottery Terminal Local Impact Aid – Strikes the provision that would have transferred video lottery terminal revenue for local impact aid to the Education Trust Fund in fiscal 2015 and 2016

Mandate Relief – Strikes a provision that would have capped growth in certain mandated appropriations

Medical Loss Ratios – Authorizes the early clawback of savings for calendar 2014 managed care organization payments to recognize failure of managed care organizations to meet certain medical loss ratios, which increases general fund revenues by \$10 million

Baltimore City School Construction Program – Adds a provision to remove the financial contribution requirement of the Baltimore City School System to the Baltimore City School Revitalization Program in fiscal 2016 only

Planned Reversions – Adds a provision to ensure that planned reversions to two programs under the Maryland State Department of Education are realized in fiscal 2015

DeWolfe vs. Richmond – Adds a provision to continue the authority to implement the DeWolfe vs. Richmond decision in fiscal 2016

Exelon Merger – Adds a provision to require any funds coming to the State as a result of an approved merger between Exelon Corporation and Pepco to be appropriated in the State budget

Hospital Rate Assessments – Adds a provision to reduce the assessment going to the Maryland Health Insurance Plan for fiscal 2016 only

Convention Centers – Strikes a provision to cap the fiscal 2016 State’s share of the operating deficit subsidies of the convention centers to the fiscal 2016 cost containment level

Preservation of Cultural Arts – Adds a provision to provide grants to specific cultural and arts organizations from the Preservation of Cultural Arts program

Rainy Day Fund – Requires the Administration to authorize transfers from the Rainy Day Fund in an act of the General Assembly other than the State budget in fiscal 2017 and 2018

Senate Provision Stricken by the Conference Committee

Personal Property Tax – Would have exempted cranes at the Maryland Port Administration from the personal property tax

Baltimore City Community College Formula – Would have altered the out-year funding percentages to moderate growth

Developmental Disabilities Provider Rates – Would have altered the out-year rates to moderate growth and extended the mandated growth rate period to fiscal 2020

**Conference Committee Budget Plan Compared to
Administration Budget Plan
Fiscal 2017-2020
(\$ in Millions)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Administration Budget's Structural Balance	-\$81	-\$87	-\$195	-\$160
Committee Reductions				
Accelerate Pension Full Funding	-\$108	-\$155	-\$200	-\$175
Other Reductions	-58	-64	-65	-67
Total Reductions	-\$166	-\$219	-\$264	-\$242
Significant Committee Restorations				
K-12 Education Foundation – No Cap on Growth	\$105	\$164	\$234	\$305
Geographic Cost of Education Index	70	72	74	76
Community College Formula – No Cap on Growth	0	12	33	52
Private College Funding – No Cap on Growth	6	9	12	15
Developmental Disabilities Administration – No Cap on Growth	3	8	18	19
State Employee Salaries	75	76	78	79
Other Restorations/Enhancements	87	110	125	145
Total Restorations	\$345	\$451	\$574	\$692
Conference Committee's Budget's Structural Balance	-\$261	-\$319	-\$505	-\$610

The Administration's budget proposed a cap on education foundation spending, reducing State employee salaries by 2%, reducing the Geographic Cost of Education Index by 50%, caps on the growth of private and community college formula spending, and a general cap on other State mandated spending, including the Developmental Disabilities Administration. The Conference Committee did not agree with these policies and did not limit future mandated funding as proposed by the Governor. Structural balances assume the unspecified 2% across-the-board reductions (excluding the higher education share) that are part of the Administration's budget plan are not structural.