
Mandated Appropriations in the Maryland State Budget

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

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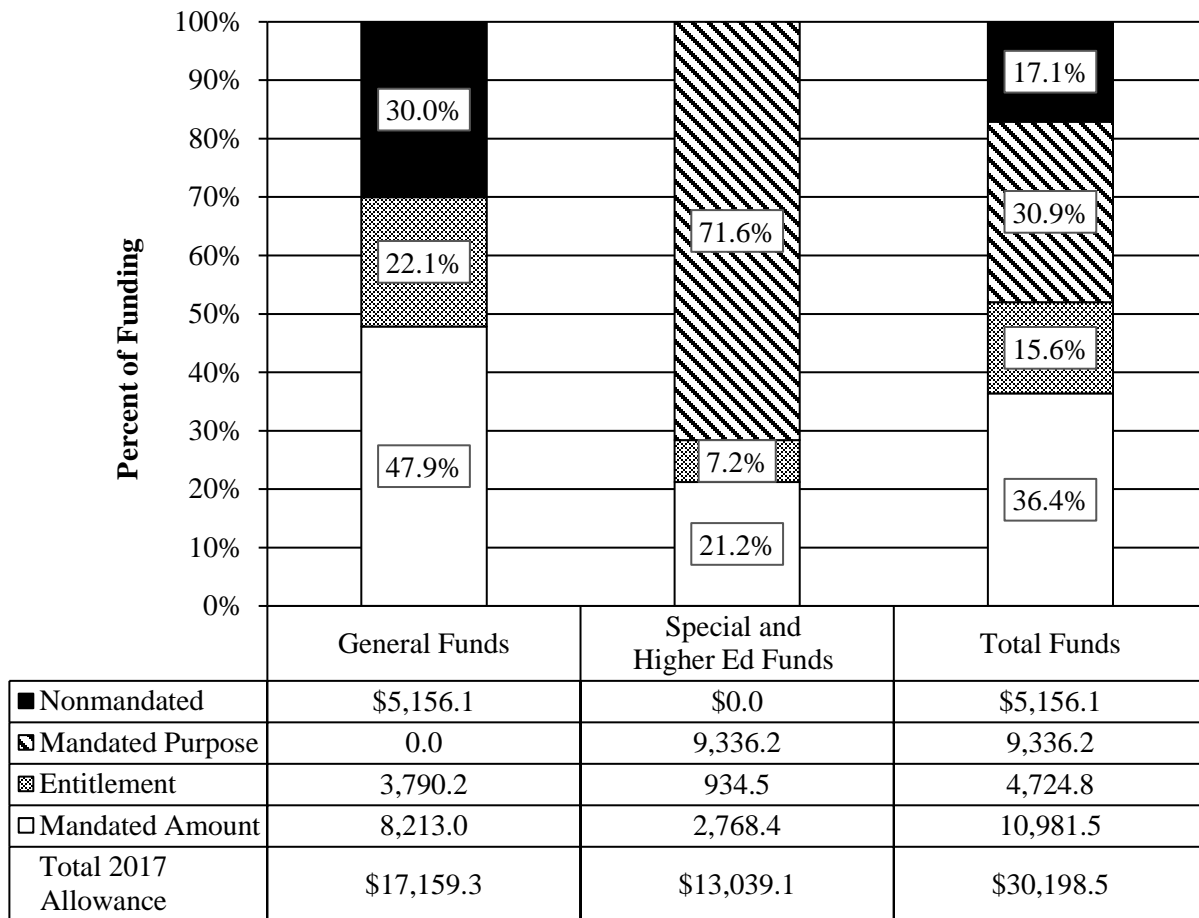
The rise of funding mandates within the Maryland State budget is a fairly recent phenomenon. The Maryland legislature may not increase spending or transfer spending between programs and can only strike or reduce appropriations. In 1977, a court case ruled legislation to require parity in foster care payments unconstitutional. This led to a 1978 Constitutional amendment allowing the General Assembly to require the Governor to include a minimum level of funding for a program in a future budget. The definition of a mandated appropriation has since been further clarified by the Attorney General's opinion of Chapter 851 of 1980, which is that a statutory mandate must clearly prescribe a dollar amount or an objective basis from which a level of funding can easily be computed.

The State's own-source budget totals \$30.2 billion for fiscal 2017. For purposes of the report, spending is categorized as:

- **Mandated Amounts:** 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 an appropriation.
- **Entitlements:** General or special funds that have a statutory or constitutional requirement that designates certain benefits to all individuals or groups that meet eligibility criteria. In contrast to mandated amounts, the Governor has some flexibility to adjust funding for entitlements. For example, Medicaid provider payment rates can be reduced without a law change.
- **Funds with Mandated Purposes:** Special and higher education funds that have statutory dedications identifying a broad purpose for the funds but that allow the Governor discretion on how much funding is appropriated and 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 2017 appropriations with a mandated amount total \$11.0 billion, and entitlements total an additional \$4.7 billion, for a combined 52.0% of the State-sourced portion of the budget. As seen in **Exhibit 1**, 70.0% of the fiscal 2017 general fund allowance and 28.4% of the special fund and higher education allowance are mandates or entitlements. The remaining 71.6% of the special fund and higher education allowance is dedicated for specific purposes.

Exhibit 1
Maryland State Spending from Own-source Budget
Fiscal 2017 Allowance
(\$ in Millions)

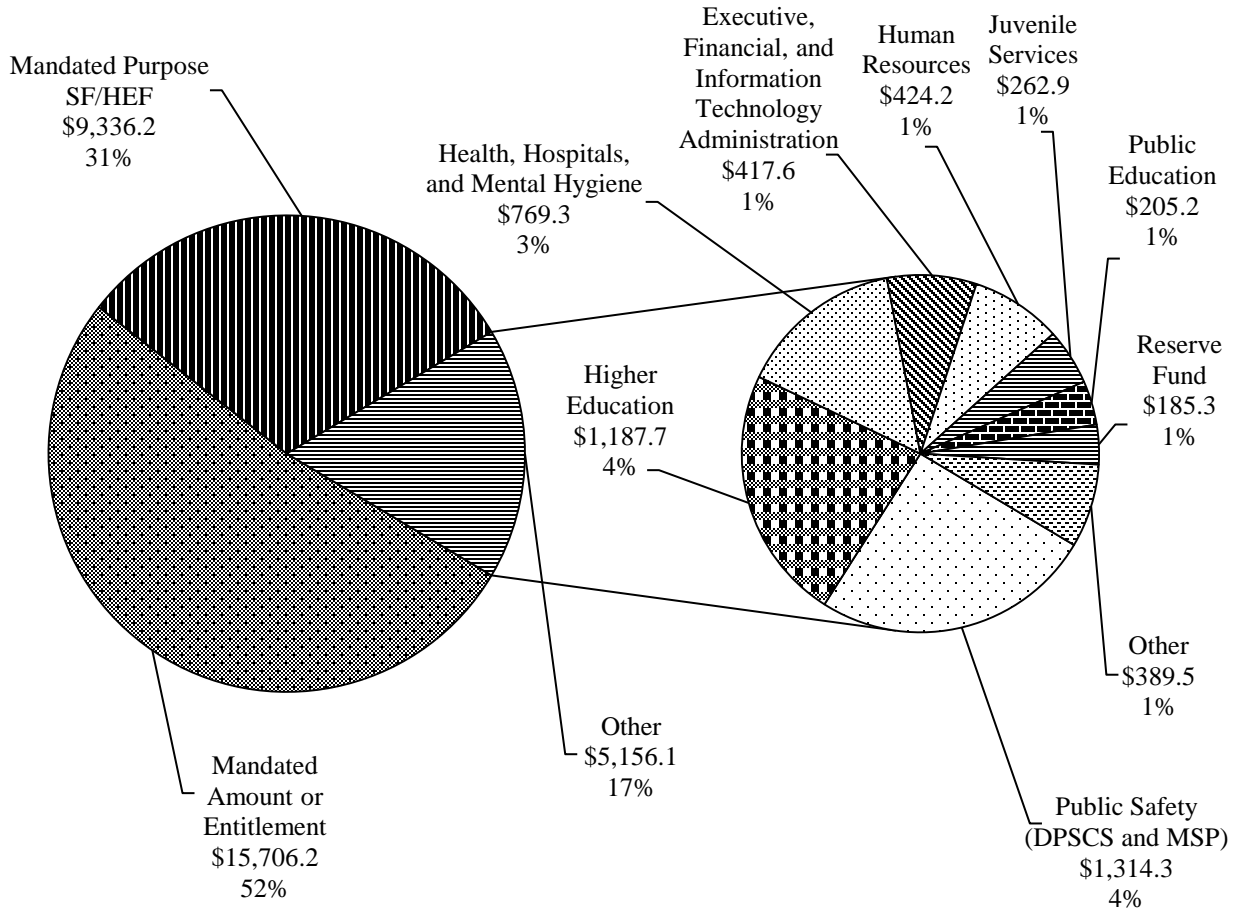


Note: Numbers may not sum to total due to rounding. Fiscal 2017 special and higher education funds exclude the general and special fund portions of current unrestricted funds. General fund allowance total excludes \$30 million of unspecified reversions.

Source: Governor's Budget Books, Fiscal 2017; Department of Legislative Services

Exhibit 2 shows the distribution of mandates, entitlements, and funds with mandated purposes as a percent of State-sourced spending. Of the approximately \$5.2 billion in nonmandated general funds, the allowances for higher education; public safety; and health, hospitals, and mental hygiene account for 63.4%.

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2017
(\$ in Millions)



DPSCS: Department of Public Safety and Correctional Services

GF: general fund

HEF: higher education funds (revenues derived from tuition and fees, auxiliary enterprises, federal grants and contracts, etc.)

MSP: Maryland State Police

SF: special fund

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

Source: Department of Legislative Services

Exhibit 3 illustrates that K-12 education and health programs receive 79.2% of all mandated general fund spending in the allowance, with K-12 education comprising 49.5% alone. Health, transportation, and debt service account for 78.4% of all special fund mandates in the allowance.

Exhibit 3
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2017 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	\$5,939.3	49.5%	\$458.8	12.4%	\$6,398.2	40.7%
Health	3,561.5	29.7%	992.2	26.8%	4,553.7	29.0%
Debt Service	283.0	2.4%	1,202.6	32.5%	1,485.6	9.5%
Transportation	0.0	0.0%	709.3	19.2%	709.3	4.5%
Administration and Legislative	645.4	5.4%	179.6	4.8%	824.9	5.3%
Education, Postsecondary	528.4	4.4%	2.5	0.1%	531.0	3.4%
Judiciary	484.1	4.0%	59.3	1.6%	543.4	3.5%
Human Services	234.2	2.0%	0.0	0.0%	234.2	1.5%
Nonspecific Aid	166.4	1.4%	1.0	0.0%	167.4	1.1%
Public Safety	78.3	0.7%	0.6	0.0%	78.8	0.5%
Agriculture, Environment, and Natural Resources	22.0	0.2%	88.0	2.4%	110.0	0.7%
Economic Development and Housing	60.8	0.5%	9.0	0.2%	69.8	0.4%
Total	\$12,003.3	100.0%	\$3,703.0	100.0%	\$15,706.2	100.0%

GF: general fund

SF: special fund

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

Source: Department of Legislative Services

Sixteen general fund programs that have mandates or entitlements exceeding \$100 million account for 91.5% of all general fund mandated spending, as seen in **Exhibit 4**. Funding for the two largest mandated general fund programs, the Foundation Program and Medicaid, account for 44.0% of all mandated general fund spending. With respect to special and higher education funds, eight programs exceeded \$100 million, totaling 92.2% of all mandated special fund and higher education spending.

Exhibit 4
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2017 Allowance
(\$ in Millions)

	<u>Allowance</u>	<u>% of Funds</u>
General Fund Programs		
Foundation Program – Education*	\$2,726.4	22.7%
Maryland Medical Assistance (Medicaid) Program	2,555.0	21.3%
Compensatory Education	1,309.1	10.9%
Aid for Local Employees Fringe Benefits	787.9	6.6%
Developmental Disabilities Administration Medical Assistance	567.5	4.7%
State Retirement Contribution	505.4	4.2%
Judicial Branch	484.1	4.0%
Community Behavioral Health Services for Medicaid Recipients	366.7	3.1%
Debt Service	283.0	2.4%
Students with Disabilities – Formula	279.6	2.3%
Student Transportation – Formula	245.7	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	245.0	2.0%
Limited English Proficiency Grant	227.2	1.9%
Disparity Grants	136.7	1.1%
Foster Care Payments	135.3	1.1%
Students with Disabilities – Nonpublic Placements	126.6	1.1%
Subtotal	\$10,981.3	91.5%
Other	\$1,022.0	8.5%
Total General Funds	\$12,003.3	100.0%
Special Fund Programs		
Medical Assistance (Medicaid) Program	\$917.6	24.8%
Debt Service	892.6	24.1%
Foundation Program – Education	458.8	12.4%
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	323.4	8.7%
Transportation Debt Service	309.9	8.4%
State Retirement Contribution	179.6	4.8%
Local Highway User Revenue Grants	177.4	4.8%
WMATA – Capital/Debt Service Subsidy	153.6	4.1%
Subtotal	\$3,413.0	92.2%
Other	\$290.0	7.8%
Total Special Funds	\$3,703.0	100.0%

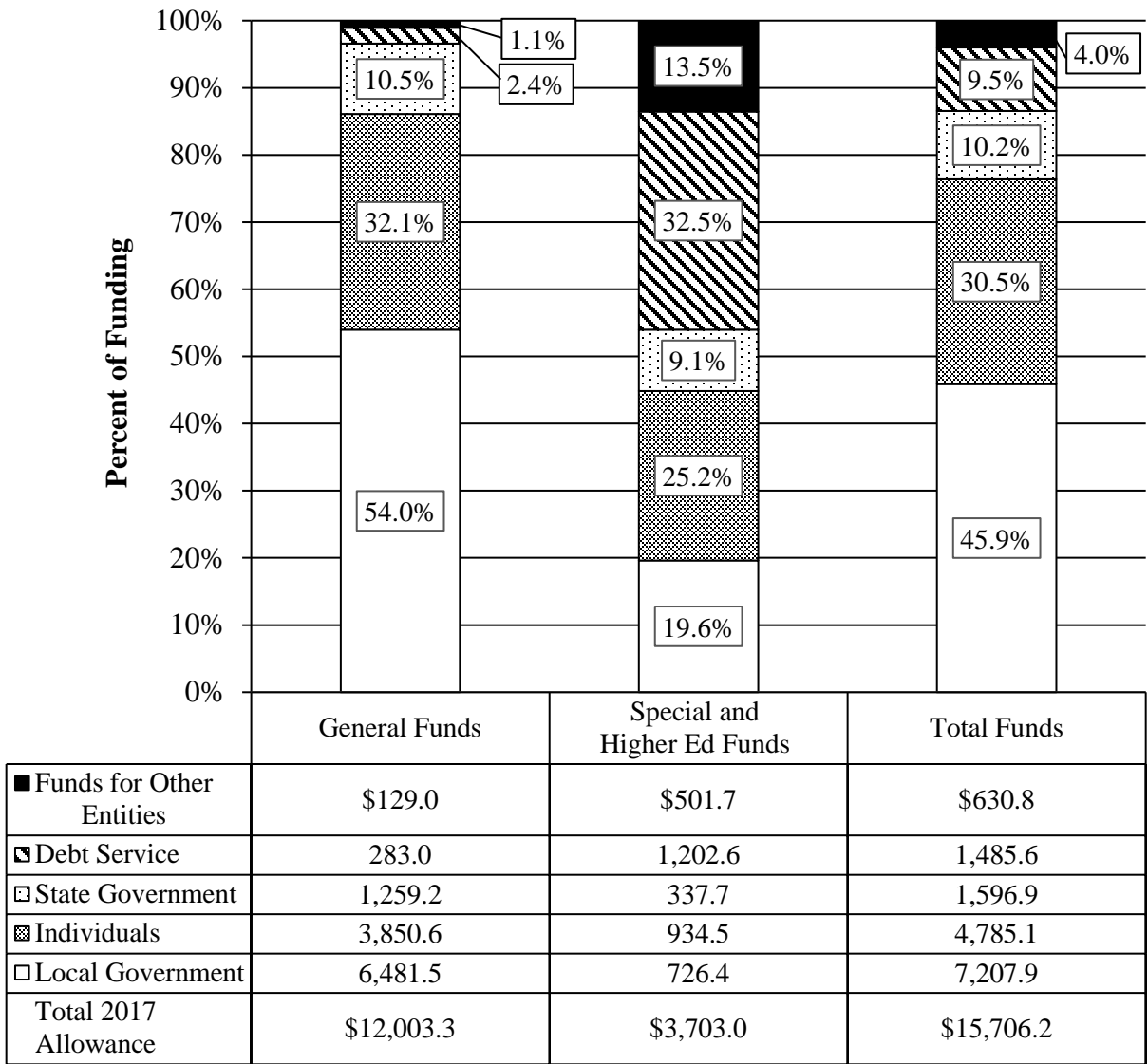
*Foundation Program includes the Geographic Cost of Education Index and supplemental grants.

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 5** demonstrates that 76.4% of all general and special fund mandates are received by units of local government or individuals. Local governments receive substantial general fund amounts for educational programs, while individuals primarily receive general funded health services. Individuals are the second largest recipient of special fund mandated spending at 25.2%, largely due to the Medicaid program, which is the largest single program recipient. Approximately \$1.6 billion, or 10.2%, of the allowance's general and special fund mandated spending is directed toward State government functions. The largest general fund appropriation for State government functions is the State employee retirement contribution, followed by the Judiciary. Debt service accounts for the largest portion of mandated special fund and higher education spending in the fiscal 2017 allowance, receiving approximately 32.5%. Additional proposed spending detail by recipient is shown in **Appendix 1** for general funds and **Appendix 2** for special funds.

Exhibit 5
Mandated Appropriations and Entitlements by Type of Recipient
Fiscal 2017 Allowance
(\$ in Millions)



Note: Numbers may not sum to total due to rounding. Fiscal 2017 special and higher education funds exclude the general and special fund portions of current unrestricted funds.

Source: Department of Legislative Services

Appendix 1
General Fund Mandated Appropriations and Entitlements by
Type of Recipient
Fiscal 2017 Allowance
(\$ in Millions)

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Local Government		
Foundation Program – Education*	\$2,726.4	22.7%
Compensatory Education	1,309.1	10.9%
Aid for Local Employees Fringe Benefits	787.9	6.6%
Students with Disabilities – Formula	279.6	2.3%
Student Transportation – Formula	245.7	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	245.0	2.0%
Limited English Proficiency Grant	227.2	1.9%
Disparity Grants	136.7	1.1%
Students with Disabilities – Nonpublic Placements	126.6	1.1%
Other	397.2	3.3%
Total	\$6,481.5	54.0%
Individuals		
Maryland Medical Assistance (Medicaid) Program	\$2,555.0	21.3%
Developmental Disabilities Administration (DDA) Medical Assistance	567.5	4.7%
Community Behavioral Health Services for Medicaid Recipients	366.7	3.1%
Foster Care Payments	135.3	1.1%
Need-based Higher Education Awards	87.7	0.7%
Property Tax Credits	65.2	0.5%
Temporary Cash Assistance	25.3	0.2%
DDA Community Services Providers Reimbursement Rate	21.7	0.2%
Other	26.2	0.2%
Total	\$3,850.6	32.1%

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
State Government		
State Retirement Contribution	\$505.4	4.2%
Judicial Branch	484.1	4.0%
Legislative Branch	87.2	0.7%
Supplemental Pension Contribution – Dedicated Purpose Account	50.0	0.4%
Baltimore City Community College	40.8	0.3%
Maryland School for the Deaf	31.0	0.3%
Other	60.7	0.5%
Total	\$1,259.2	10.5%
Debt Service		
General Obligation Bond Debt Service	\$283.0	2.4%
Total	\$283.0	2.4%
Funds for Other Entities		
Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher Education	\$50.8	0.4%
Maryland School for the Blind	21.5	0.2%
Property Tax Credits – Enterprise Zones	19.7	0.2%
Maryland State Arts Council	17.4	0.1%
SEED School of Maryland	10.3	0.1%
Other	9.3	0.1%
Total	\$129.0	1.1%
Total Mandated and Entitlement General Funds	\$12,003.3	100.0%

SEED: School for Education Evolution and Development

*Foundation Program includes the Geographic Cost of Education Index and supplemental grants.

Source: Department of Legislative Services

Appendix 2
Special/Higher Education Fund Mandated Appropriations and Entitlements
By Type of Recipient
Fiscal 2017 Allowance
(\$ in Millions)

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Local Government		
Foundation Program – Education	\$458.8	12.4%
Local Highway User Revenue Grants	177.4	4.8%
Montgomery and Prince George’s County Bus Service Operating Subsidies	52.8	1.4%
Outdoor Recreation Land Loan Program Which Includes Program Open Space – Local Share	21.7	0.6%
Other	15.7	0.4%
Total	\$726.4	19.6%
Individuals		
Medical Assistance (Medicaid) Program	\$917.6	24.8%
Community Behavioral Health Services for Medicaid Recipients	11.1	0.3%
Other	5.8	0.2%
Total	\$934.5	25.2%
State Government		
State Retirement Contribution	\$179.6	4.8%
Judicial Branch	59.3	1.6%
Outdoor Recreation Land Loan Program Which Includes Program Open Space – State Share	57.8	1.6%
Maryland Health Benefit Exchange	34.9	0.9%
Other	6.1	0.2%
Total	\$337.7	9.1%
Debt Service		
General Obligation Bond Debt Service	\$892.6	24.1%
Transportation Debt Service	309.9	8.4%
Total	\$1,202.6	32.5%

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Funds for Other Entities		
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	\$323.4	8.7%
WMATA – Capital/Debt Service Subsidy	153.6	4.1%
Statewide Academic Health Centers	13.0	0.4%
Other	11.8	0.3%
Total	\$501.7	13.5%
Total Mandated and Entitlement Special Funds	\$3,703.0	100.0%

Source: Department of Legislative Services