
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.

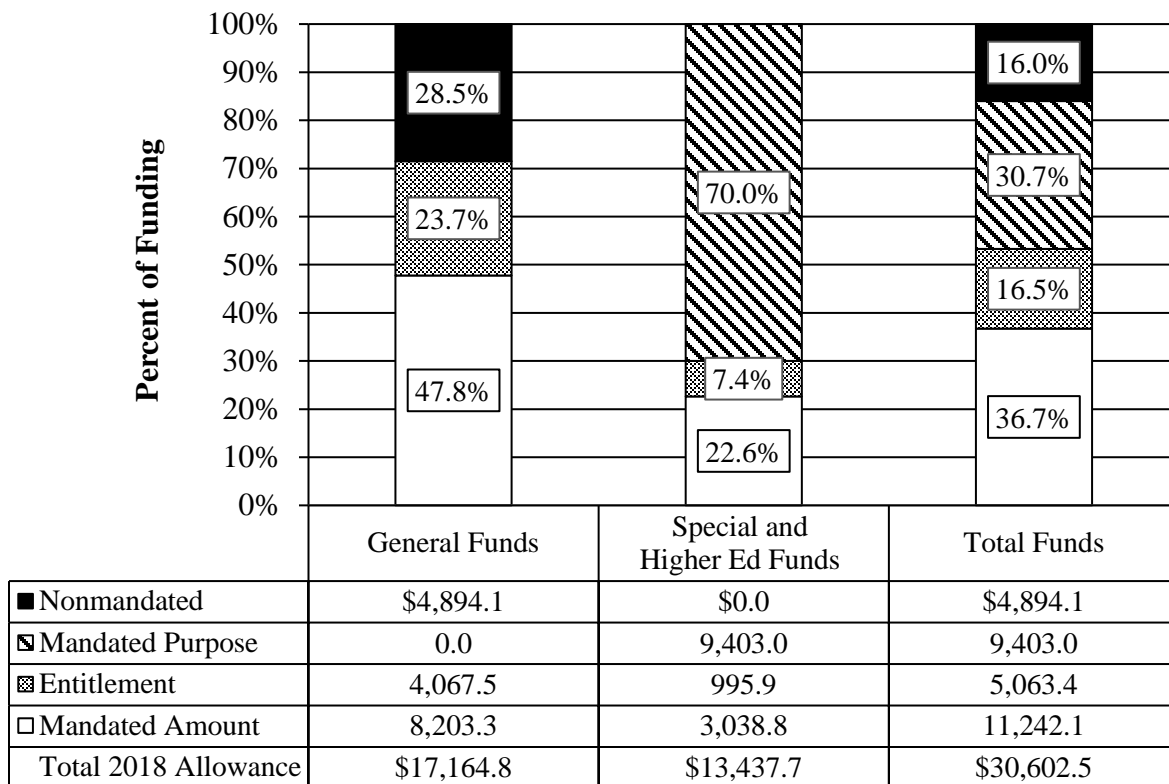
The State's own-source budget totals \$30.6 billion for fiscal 2018. For purposes of the report, spending is categorized as:

- **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, the Medical Care Program Administration (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.

Additionally, throughout this report, references to the Governor's allowance reflect the entirety of the Governor's budget plan, including the effect of statutory changes proposed in the Budget Reconciliation and Finance Act. Specifically, the Governor's budget plan included the reduction or elimination of 21 general fund mandates, resulting in a decrease in general fund mandated expenditures of \$164.6 million. However, the budget plan also provided for full funding for each mandate that the General Assembly did not amend.

Altogether, proposed fiscal 2018 appropriations with a mandated amount total \$11.2 billion, and entitlements total an additional \$5.1 billion, for a combined 53.3% of the State-sourced portion of the budget. As seen in **Exhibit 1**, 71.5% of the fiscal 2018 general fund allowance and 30.0% of the special fund and higher education allowance are mandates or entitlements. The remaining 70.0% of the special fund and higher education allowance is dedicated for specific purposes.

Exhibit 1
Maryland State Spending from Own-source Budget
As Included in the Fiscal 2018 Allowance
(\$ in Millions)

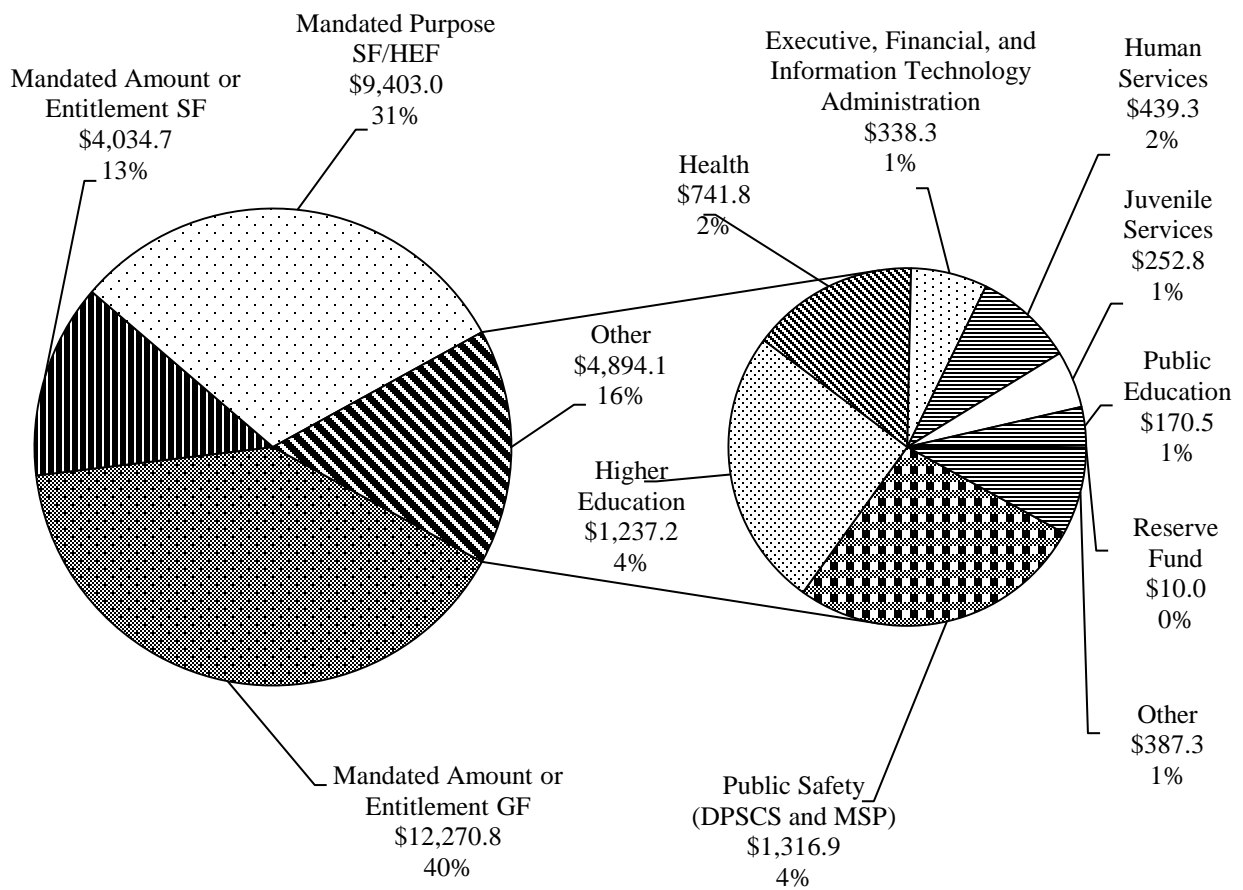


Note: Numbers may not sum to total due to rounding. Fiscal 2018 special and higher education funds exclude the general and special fund portions of current unrestricted funds. General fund allowance total excludes \$31.2 million of unspecified reversions.

Source: Governor's Budget Books, Fiscal 2018; 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 \$4.9 billion in nonmandated general funds, the allowances for higher education, public safety, and health account for 67.3%.

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2018
(\$ 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 48.0% alone. Health, transportation, and debt service for the State's capital program account for 76.9% of all special fund mandates in the allowance.

Exhibit 3
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2018 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	\$5,889.2	48.0%	\$522.1	12.9%	\$6,411.4	39.3%
Health	3,824.2	31.2%	1,046.9	25.9%	4,871.1	29.9%
Capital Program	263.0	2.1%	975.9	24.2%	1,238.9	7.6%
Transportation	0.0	0.0%	1,080.4	26.8%	1,080.4	6.6%
Administration and Legislative	613.4	5.0%	184.8	4.6%	798.1	4.9%
Education, Postsecondary	598.8	4.9%	2.5	0.1%	601.4	3.7%
Judicial Branch	505.2	4.1%	66.4	1.6%	571.6	3.5%
Human Services	237.2	1.9%	0.0	0.0%	237.2	1.5%
Agriculture, Environment, and Natural Resources	25.2	0.2%	144.0	3.6%	169.2	1.0%
Nonspecific Aid	160.5	1.3%	2.0	0.0%	162.5	1.0%
Public Safety	83.0	0.7%	0.6	0.0%	83.6	0.5%
Economic Development and Housing	71.1	0.6%	9.1	0.2%	80.2	0.5%
Total	\$12,270.8	100.0%	\$4,034.7	100.0%	\$16,305.4	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 91.6% 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 44.5% of all mandated general fund spending. With respect to special and higher education funds, eight programs exceeded \$100 million, totaling 91.2% of all mandated special fund and higher education spending.

Exhibit 4
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2018 Allowance
(\$ in Millions)

	<u>Allowance</u>	<u>% of Funds</u>
General Fund Programs		
Medical Care Program Administration (Medicaid)	\$2,746.9	22.4%
Foundation Program – Education*	2,718.5	22.2%
Compensatory Education	1,305.5	10.6%
Aid for Local Employees Fringe Benefits	754.8	6.2%
Developmental Disabilities Administration Medical Assistance	584.9	4.8%
State Retirement Contribution	518.8	4.2%
Judicial Branch	505.2	4.1%
Community Behavioral Health Services for Medicaid-eligible Recipients	415.4	3.4%
Students with Disabilities – Formula	284.9	2.3%
Debt Service	263.0	2.1%
Student Transportation – Formula	250.6	2.0%
Limited English Proficiency Grant	248.7	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	246.1	2.0%
Foster Care Payments	141.1	1.1%
Disparity Grants	132.8	1.1%
Students with Disabilities – Nonpublic Placements	128.6	1.0%
Subtotal	\$11,245.8	91.6%
Other	\$1,025.0	8.4%
Total General Funds	\$12,270.8	100.0%
Special Fund Programs		
Debt Service	\$975.9	24.2%
Medicaid	972.4	24.1%
Foundation Program – Education	522.1	12.9%
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	365.3	9.1%
Transportation Debt Service	328.8	8.1%
State Retirement Contribution	184.8	4.6%
Local Highway User Revenue Grants	175.5	4.3%
WMATA – Capital/Debt Service Subsidy	155.9	3.9%
Subtotal	\$3,680.6	91.2%
Other	\$354.1	8.8%
Total Special Funds	\$4,034.7	100.0%

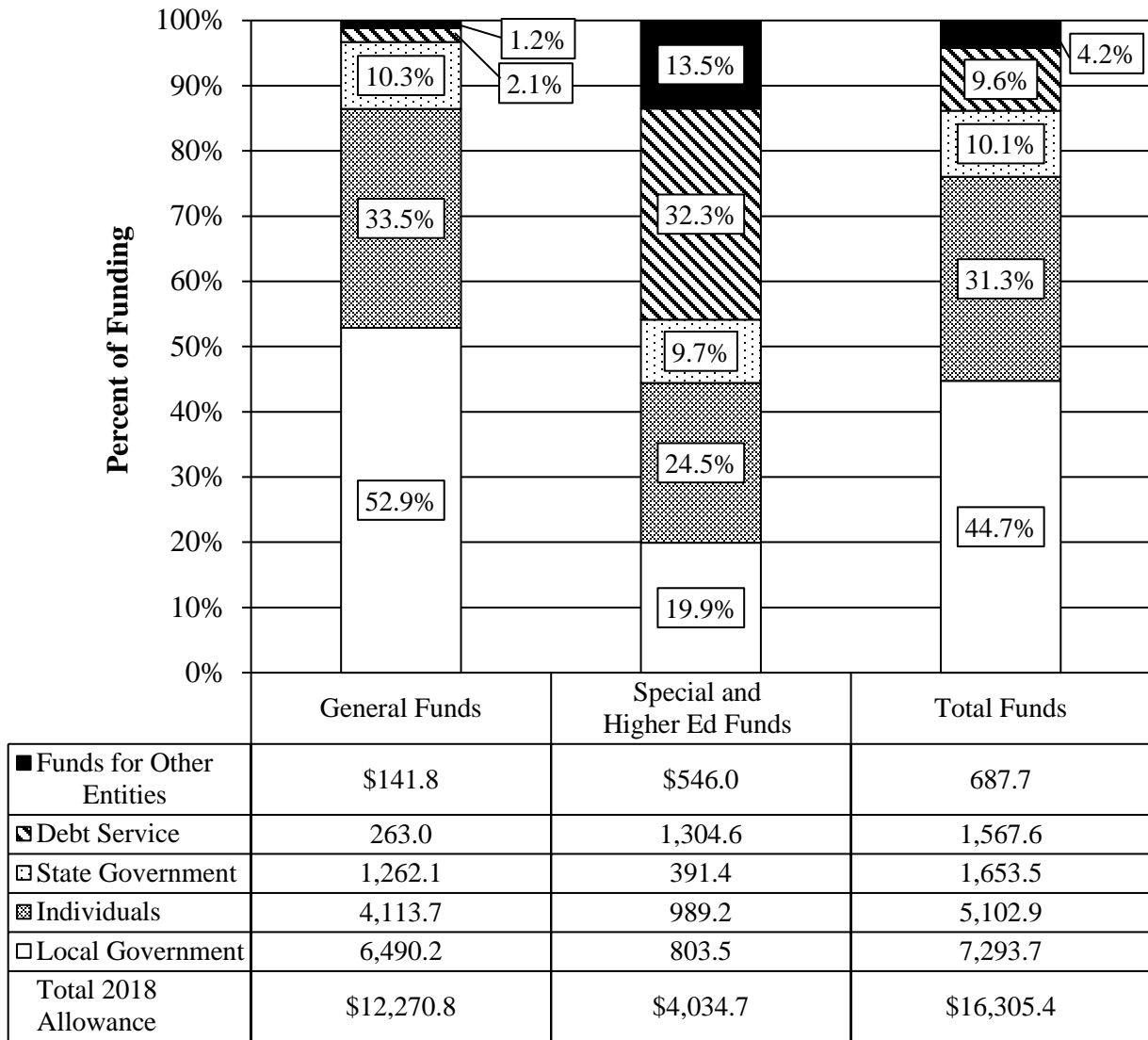
*Foundation Program includes the Geographic Cost of Education Index and supplemental grants.

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 76.0% 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 24.5%, largely due to the Medicaid program, which is the largest single program recipient. Approximately \$1.7 billion, or 10.1%, 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 Judicial Branch. Debt service accounts for the largest portion of mandated special fund and higher education spending in the fiscal 2017 allowance, receiving approximately 32.3%. 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 2018 Allowance
(\$ in Millions)



Note: Numbers may not sum to total due to rounding. Fiscal 2018 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 2018 Allowance
(\$ in Millions)

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriation or Entitlement</u>
Local Government		
Foundation Program – Education*	\$2,718.5	22.2%
Compensatory Education	1,305.5	10.6%
Aid for Local Employees Fringe Benefits	754.8	6.2%
Students with Disabilities – Formula	284.9	2.3%
Student Transportation – Formula	250.6	2.0%
Limited English Proficiency Grant	248.7	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	246.1	2.0%
Disparity Grants	132.8	1.1%
Students with Disabilities – Nonpublic Placements	128.6	1.0%
Other	419.6	3.4%
Total	\$6,490.2	52.9%
Individuals		
Medicaid	\$2,746.9	22.4%
DDA Medical Assistance	584.9	4.8%
Community Behavioral Health Services for Medicaid-eligible Recipients	415.4	3.4%
Foster Care Payments	141.1	1.1%
Need-based Higher Education Awards	93.7	0.8%
Property Tax Credits	63.0	0.5%
Temporary Cash Assistance	22.2	0.2%
DDA Community Services Providers Reimbursement Rate	11.4	0.1%
Other	35.2	0.3%
Total	\$4,113.8	33.5%

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

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriation or Entitlement</u>
State Government		
State Retirement Contribution ⁽¹⁾	\$518.8	4.2%
Judicial Branch	505.2	4.1%
Legislative Branch	90.6	0.7%
Baltimore City Community College	40.6	0.3%
Maryland School for the Deaf	31.6	0.3%
Other	75.4	0.6%
Total	\$1,262.1	10.3%
Debt Service		
General Obligation Bond Debt Service	\$263.0	2.1%
Total	\$263.0	2.1%
Funds for Other Entities		
Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher Education	\$46.8	0.4%
Maryland School for the Blind	29.8	0.2%
Property Tax Credits – Enterprise Zones	22.4	0.2%
Maryland State Arts Council	18.1	0.1%
SEED School of Maryland	10.4	0.1%
Other	14.3	0.1%
Total	\$141.8	1.2%
Total Mandated and Entitlement General Funds	\$12,270.8	100.0%

DDA: Developmental Disabilities Administration
 Medicaid: Medical Care Program Administration
 SEED: School for Education Evolution and Development

⁽¹⁾ Retirement contributions for employees of Legislative and Judicial branches totaling \$68.0 million are not included. They are included in the Legislative and Judicial line items.

Source: Department of Legislative Services

Appendix 2
Special/Higher Education Fund Mandated Appropriations and Entitlements
By Type of Recipient
Fiscal 2018 Allowance
(\$ in Millions)

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriation or Entitlement</u>
Local Government		
Foundation Program – Education	\$522.1	12.9%
Local Highway User Revenue Grants	175.5	4.3%
Montgomery and Prince George’s County Bus Service Operating Subsidies	52.8	1.3%
Outdoor Recreation Land Loan Program Which Includes Program Open Space – Local Share	37.2	0.9%
Other	15.9	0.4%
Total	\$803.5	19.9%
Individuals		
Medicaid	\$972.4	24.1%
Community Behavioral Health Services for Medicaid-eligible Recipients	11.1	0.3%
Other	5.7	0.1%
Total	\$989.2	24.5%
State Government		
State Retirement Contribution	\$184.8	4.6%
Outdoor Recreation Land Loan Program Which Includes Program Open Space – State Share	98.1	2.4%
Judicial Branch	66.4	1.6%
Maryland Health Benefit Exchange	35.0	0.9%
Other	7.1	0.2%
Total	\$391.4	9.7%

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriation or Entitlement</u>
Debt Service		
General Obligation Bond Debt Service	\$975.9	24.2%
Transportation Debt Service	328.8	8.1%
Total	\$1,304.6	32.3%
Funds for Other Entities		
WMATA – Operating Subsidy	\$365.3	9.1%
WMATA – Capital/Debt Service Subsidy	155.9	3.9%
Statewide Academic Health Centers	13.0	0.3%
Other	11.8	0.3%
Total	\$546.0	13.5%
Total Mandated and Entitlement Special Funds	\$4,034.7	100.0%

Medicaid: Medical Care Program Administration
WMATA: Washington Metropolitan Area Transit Authority

Source: Department of Legislative Services