Budget Reconciliation and Financing Act of 2018 (SB 187/HB 161)

Budget Summary, Provisions, and Recommendations

Department of Legislative Services
Office of Policy Analysis
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2018 Session BRFA "To Do" List

Balance Before Proposals Requiring Legislative Approval: 2018 Session		**-$295.2**
BRFA Revenue Actions		
Lottery Revenue: Repeal Chapter 727 of 2016	$0.7	
Subtotal		***$0.7***
BRFA Transfers		
USM Fund Balance	$9.0	
Subtotal		***$9.0***
2016 Session BRFA Contingent Reductions		
MDH Chapter 13 Payments to University of Maryland Capital Region Medical Center	$29.0	
DHCD Chapter 29 Baltimore Regional Neighborhood Initiative Program	9.0	
DHCD Repeal Chapter 31 Seed Community Development Anchor Institution Fund	5.0	
USM Repeal Chapter 25 Funding Guidelines Mandate	4.0	
USM Repeal Chapter 25 Mandated Funding for University of Maryland Center of Economic and Entrepreneurship Development	2.0	
MSDE Repeal Chapter 740 Teacher Induction, Retention, and Advancement Pilot Mandate	5.0	
MSDE Repeal Chapter 740 Quality Teacher Stipends	2.1	
MSDE Repeal Chapter 740 Anne Arundel Teacher Pilot Program	1.9	
MSDE Altering Chapter 32 Public Schools Opportunities Enhancement Program	5.0	
MSDE Repeal Chapter 33 Next Generation Scholars Program	5.0	
MSDE Repeal Chapters 681 and 682 Robotics Grants	0.3	
Subtotal		***$68.3***
Other BRFA Contingent Reductions		
Reserve Fund	$193.0	
Reduce Pension Sweeper Mandate for One Year	50.0	
POS Repayment	15.0	
MDH DDA Limit Provider Rate Increase to 1%	14.6	
MDH BHA Limit Provider Reimbursement to 2%	7.9	
MHEC Sellinger Grants Fund at the Fiscal 2018 Level	7.4	
MHEC Reduce Funds for 529 Plan Match	5.0	
Commerce Reduce Funding for the State Arts Council	1.0	
MDH Level Fund Local Health Formula Grants at the Fiscal 2018 Level	0.9	
Level Fund Baltimore City Community College	0.9	
Subtotal		***$295.7***
Fund Swaps		
SDAT Increase Local Cost Share to 90%	$19.7	
MDH Medicaid Partially Delay Deficit Assessment Buydown for One Year	10.0	
Use Trauma Physician Services Fund for Medicaid	8.0	
MDH Use Community Health Resource Commission Funds for Mental Health Services	2.0	
Use Advance Directives Fund and Cord Blood Fund for Maternal and Child Health	0.7	
Subtotal		***$40.4***
BRFA Total Actions		**$414.1**

Other Revenue Actions		
Military Retirement Income	-12.5	
Small Business Relief Tax Credit	-5.0	
Hometown Heroes	-2.0	
Subtotal		***-$19.5***
Other Contingent Reductions		
DLLR Consolidate Special Funds (SB 6)	1.3	
Subtotal		***$1.3***
Ending General Fund Balance		**$100.6**

BHA: Behavioral Health Administration
BRFA: Budget Reconciliation and Financing Act
DDA: Developmental Disabilities Administration
DHCD: Department of Housing and Community Development
DLLR: Department of Labor, Licensing, and Regulation
POS: Program Open Space
MDH: Maryland Department of Health
MHEC: Maryland Higher Education Commission
MSDE: Maryland State Department of Education
SDAT: State Department of Assessments and Taxation
USM: University System of Maryland

Summary of Provisions and DLS Alternatives

Budget Reconciliation and Financing Act of 2018
(SB 187/HB 161)

Mandate Relief

- ***Teacher Induction, Retention, and Advancement –*** Repeals the $5.0 million mandate included in Chapter 740 of 2016 that funds the Teacher Induction, Retention, and Advancement Pilot program that encourages mentoring, planning assistance, and other preparation activities.

  - The Department of Legislative Services (DLS) recommends rejecting the repeal of the Teacher Induction, Retention, and Advancement Pilot program mandate but reducing the mandated funding level from $5.0 million to $1.0 million for fiscal 2019 through 2022 based on fiscal 2018 spending levels.

- ***Teacher Stipends –*** Repeals the mandate for stipends for teachers that hold specified teaching certificates and lowers the per individual amount for teachers in schools identified as having comprehensive needs (Chapter 740 of 2016).

  - DLS recommends striking this provision. A separate budget recommendation reduces the fiscal 2019 allowance by $1.3 million based on fiscal 2018 spending levels.

- ***Anne Arundel County Teacher Stipends –*** Repeals the mandate for a stipend for specified teachers in Anne Arundel County (Chapter 740 of 2016).

- ***Robotics Grant Program –*** Repeals the mandate of $250,000 for the Robotics Grant Program under the Maryland State Department of Education (Chapter 681 of 2016).

- ***Public Schools Opportunities Enhancement Program –*** Repeals the mandated funding ($7.5 million) for the Public Schools Opportunities Enhancement Program (Chapter 32 of 2016), which expands extended day and summer enhancement programs. Authorizes an appropriation of $2.5 million for fiscal 2019.

- ***University of Maryland Center for Economic and Entrepreneurship Development –*** Repeals the mandate for University of Maryland Center for Economic and Entrepreneurship Development funding and lowers the fiscal 2019 funding amount from $4.0 million to $2.0 million (Chapter 25 of 2016).

- ***Baltimore City Community College –*** Reduces the mandated funding for Baltimore City Community College to fund fiscal 2019 at the fiscal 2018 funding level.

- ***Sellinger Program* –** Reduces the mandated funding under the Sellinger Program to fund fiscal 2019 at the fiscal 2018 cost containment level.

- ***Next Generation Scholars Program* –** Repeals the mandate of $5.0 million for the Next Generation Scholars Program (Chapter 33 of 2016).

  - DLS recommends rejecting the repeal of the mandate for the Next Generation Scholars Program but reducing the mandated funding level from $5.0 million to $4.7 million for fiscal 2019 through 2023 based on fiscal 2018 spending levels.

- ***529 College Investment Plan* –** Reduces the fiscal 2019 mandated funding for certain State matching contributions from $7.0 million to $2.0 million and maintains the mandate at this reduced level of funding in fiscal 2020 and beyond (Chapter 689 of 2016).

  - DLS recommends reducing the reduction in the mandated funding level from $7.0 million to $3.0 million and altering the program criteria to increase the matching incentive for income levels below $87,500/$125,000 for single/joint filers to increase program participation.

- ***Core Public Health Services* –** Reduces the mandated funding amount for localities under the Core Public Health Services Program to fund fiscal 2019 at the fiscal 2018 level.

- ***Developmental Disabilities Administration Provider Rates* –** Reduces the provider rate increase under the Developmental Disabilities Administration from 3.5% to 1.0% in fiscal 2019.

- ***Behavioral Health Provider Rates* –** Reduces the behavioral health provider rate increase from 3.5% to 2.0% in fiscal 2019 (Chapters 571/572 of 2017).

- ***University of Maryland Capital Region Medical Center* –** Reduces by $29.0 million the mandated fiscal 2019 funding for a capital grant for the University of Maryland Capital Region Medical Center (Chapter 23 of 2017) and adds a $29.0 million grant in fiscal 2021, thereby maintaining the same total contribution.

- ***Seed Community Development Anchor Institution Fund* –** Repeals the mandated funding of $5.0 million for the Seed Community Development Anchor Institution Fund (Chapter 31 of 2016).

- ***Baltimore Regional Neighborhood Initiative* –** Repeals the mandated funding of $12.0 million for the Baltimore Regional Neighborhood Initiative (Chapter 29 of 2016).

- ***Program Open Space Repayments* –** Repeals for fiscal 2019 a mandated $15.0 million general fund repayment to Program Open Space (POS) and adds an additional $15.0 million repayment in fiscal 2022.

- ***University System of Maryland Funding Guideline Attainment* –** Repeals the requirement (Chapter 25 of 2016) to provide at least an additional $4.0 million in the allowance in fiscal 2019 through 2021 for the University System of Maryland Office to increase the estimated funding guideline attainment for institutions with the lowest estimated funding guideline attainment in fiscal 2016 (Towson University and the University of Maryland Baltimore County).

- ***Curb Mandate Growth* –** Caps the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%, exempting specified mandates related to K-12 education funding, Reserve Fund requirements, debt service requirements, and the State employer contribution to the State Pension System.

Revenue Actions

- ***Lottery Revenues* –** Repeals the provision of Chapter 727 of 2016 that mandates lottery funds be used for a grant to the Maryland Office of Sports Marketing for a youth and amateur sports incentive grant program.

New or Expanded Uses of Existing Revenues

- ***Advance Directive Program Fund* –** Directs the use of the Advance Directive Program Fund to maternal and child health quality initiatives in fiscal 2019 and authorizes the use of funds for maternal and child health quality initiatives in future years.

- ***Cord Blood Transplant Center Support Fund* –** Allows the use of funds from the Cord Blood Transplant Center Support Fund for maternal and child health quality initiatives.

- ***Maryland Historical Trust* –** Authorizes the use of up to $300,000 of POS funding provided to the Maryland Heritage Areas Authority Financing Fund to be transferred to the Maryland Historical Trust for noncapital historic preservation grants.

- ***Maryland Trauma Physicians Services Fund* –** Authorizes for fiscal 2019 only $8.0 million from this fund to be used for Medicaid.

    - DLS recommends increasing the one-time transfer from $8.0 million to $10.0 million.

Transfers to the General Fund

	Fiscal 2018
University System of Maryland State-supported Fund Balance	$9,000,000

Cost Control and Miscellaneous Provisions

- ***Community Health Resources Commission Fund –*** Reduces the amount of funding from the Community Health Resources Commission (CHRC) Fund that may only be used to support certain CHRC activities from $8.0 million to $5.0 million in fiscal 2019 and to $4.0 million in fiscal 2020 and beyond. The reduction in fiscal 2019 allows $2.0 million to be used for mental health services for the uninsured.

- ***Pension Sweeper –*** Repeals the mandate to sweep funds to the State Retirement and Pension System for fiscal 2019 only.

- ***Property Tax Assessment Cost Share –*** Increases the local share of the costs of certain activities of the State Department of Assessments and Taxation (including real property valuation, business personal property valuation, the Office of Information Technology, and the Office of the Director) to 90% in fiscal 2019 and thereafter.

  - DLS recommends striking this provision.

- ***Medicaid Deficit Assessment –*** Reduces the $35.0 million reduction to the Medicaid Deficit Assessment in fiscal 2019 to $25.0 million.

- ***Maryland State Arts Council –*** Provides that funding received by the Maryland State Arts Council from the State admissions and amusement tax is not considered to be part of the council's prior year appropriation for the purposes of calculating its mandated grant, resulting in fiscal 2019 savings of $1.0 million.

- ***Revenue Stabilization Account –*** Reduces the fiscal 2019 funding to the Revenue Stabilization Account by $193.0 million to reflect a fund balance at 5% of projected fiscal 2019 general fund revenues.

- ***Interagency Rates Committee Provider Rates –*** For fiscal 2019, limits any increase in rates for payments to providers with rates set by the Interagency Rates Committee to 1% over fiscal 2018.

- ***Temporary Assistance for Needy Families –*** Authorizes Temporary Assistance for Needy Families spending in excess of the fiscal 2018 budget cap of $249.9 million.

  - DLS recommends rejecting the repeal of the fiscal 2018 budget cap but increasing the cap to $256.3 million.

- ***Maryland Clean Air Fund –*** Authorizes, for fiscal 2018 and 2019 only, the fund to retain a balance of $6.0 million. Currently, balances over $2.0 million revert to the General Fund.

- ***General Assembly Legislation –*** Prohibits the General Assembly from creating or increasing required funding levels in any future fiscal year unless it enacts legislation in the same session to reduce or repeal an equivalent amount of required funding for that same future fiscal year.

DLS Additional Recommendations to SB187/HB 161 as Introduced

Revenue Enhancement

- Establish a graduated penalty structure for persons receiving more than two citations in a year from the Automated Speed Enforcement program.

Mandate Relief

- Limit the cap on projected nonwithholding income tax revenues that must, under certain circumstances, be reduced from projected general fund revenue estimates from 2.0% in fiscal 2020 to 0.5% in fiscal 2020, 1.0% in fiscal 2021, and 2.0% in fiscal 2022 and subsequent years.

Cost Containment

- Reduce the fiscal 2018 appropriation for the Temporary Disability Assistance Program by $1.4 million in general funds based on enrollment trends and the fact that the Department of Human Services has not yet provided an increase in the monthly benefit amount as requested in a fiscal 2018 funding restriction.

- Reduce the fiscal 2018 appropriation for the Developmental Disabilities Administration (DDA) by:

  - $3.7 million ($1.85 million in each of general and federal funds) for two new waiver programs based on utilization;

  - $5.6 million ($3.2 million general funds, $2.4 million federal funds) for nonawarded utilization review contracts; and

  - $1.4 million ($0.8 million general funds, $0.6 million federal funds) for a nonawarded financial management services contract for self-directed services.

- Require the Maryland Department of Health and the Health Services Cost Review Commission to develop Medicaid-specific hospital cost and total cost-of-care savings targets outside of the All-payer Model Contract.

- Align elimination of State prescription drug coverage for Medicare-eligible retirees with the recent federal action to close the Medicare Part D coverage gap (donut hole) by January 1, 2019.

Fund Transfers

- Clarify that the funding associated with a proposed repeal of a $350,000 mandated grant to the Maryland Office of Sports Marketing for incentive grants for youth and amateur sporting events in fiscal 2018 and 2019 shall be transferred to the General Fund.

- Transfer $1.8 million in funding from the Tuition Stabilization Trust to either the General Fund or the Need-based Student Aid Financial Assistance Fund in the Maryland Higher Education Commission.

- Transfer $15.0 million in surplus fiscal 2017 Medicaid accrual funds to the General Fund.

Administrative

- Require any funds provided to State agencies as a result of conditions of an approved merger between AltaGas Ltd. and WGL Holdings, Inc. to be appropriated through the State budget, other legislation, or a budget amendment.

- Clarify that local health department formula funding is derived from a specific funding base and also establishes the fiscal year to be used in determining the appropriate population growth and inflation factor in the formula.

- Require the Maryland Department of Transportation, in developing the Transportation Trust Fund forecast, to develop the operating expenditure forecast to reflect historical operating budget growth rates.

- Make technical and clarifying changes to existing language regarding the review of interagency agreements.

- Place the Maryland Center for School Safety under the authority of the Governor's Office of Crime Control and Prevention.

- Restrict surplus fiscal 2018 general funds in DDA to be used to refund a portion of a federal audit disallowance. If a disallowance letter is not received by the end of fiscal 2019, the funding shall revert to the General Fund.

- Amend existing statute to require speed camera revenues distributed to the Department of State Police to be used only to fund motor vehicle purchases.

- Amend statute to provide the Legislative Policy Committee with a 15-day review and comment period on transfers from the Catastrophic Event Account and a 45-day review and comment period on actions related to the Dedicated Purpose Account.

- Extend the $10 million annual repayment to the Local Income Tax Reserve Account beyond fiscal 2025.

- Clarify that the Judiciary may include in its budget request the necessary funds to implement the recommendations of the Judicial Compensation Commission.

- Alter the statutory deadline for the submission of the Maryland Transportation Authority's Financial Forecast from July 1 of each year to September 1 of each year to conform to current practice.

- Clarify that the additional funding for the Maryland Heritage Areas Authority authorized by Chapters 660 and 661 of 2017, is to come from the Program Open Space – State funding for land acquisitions.

Detail on Alternative and Additional Recommendations on SB 187/HB 161

Proposed Amendment to SB 187/HB 161 as Introduced

Teacher Induction, Retention, and Advancement Pilot Program

Provision in BRFA as Introduced: Repeals the mandate that the Governor provide $5.0 million for the Teacher Induction, Retention, and Advancement Pilot Program (TIRA) in fiscal 2019 through 2022; funding for TIRA is discretionary beginning in fiscal 2019.

Provision as Recommended by DLS: Reject repealing the mandate for TIRA and instead reduce the mandated amount to $1.0 million to level fund the program for fiscal 2019 through 2022 at the fiscal 2018 amount.

Agency: Maryland State Department of Education

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	-$4.0	-$4.0	-$4.0	-$4.0	$0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	$1.0	$1.0	$1.0	$1.0	$0.0

Background/Recent History: Chapter 740 of 2016 established the TIRA Pilot Program for first-year teachers. The pilot program, in effect through fiscal 2022, is to afford first-year teachers and experienced mentor teachers selected by their local school systems more time on specified professional development activities. Any costs incurred must be borne 80% by the State (up to $5.0 million annually) and 20% by the local boards of education that choose to participate in the pilot program. Fiscal 2018 is the first year of the program. The budget included $2.1 million for the program. Approximately $1.0 million is required for the State share of costs under the program based on the grants awarded in fiscal 2018. The Governor's proposed fiscal 2019 budget assumes that the remaining $1.1 million reverts at the end of fiscal 2018.

State Effect: General fund expenditures decrease by $4.0 million beginning in fiscal 2019. Future years assume no discretionary funding for the pilot program, as reflected in the Administration's out-year forecast. Under current law, the pilot program expires after fiscal 2022 so there is no impact in fiscal 2023.

Local Effect: Local school system revenues decrease by $4.0 million in fiscal 2019 through 2022 for those systems participating in the pilot program. Local school system expenditures for the program also decrease.

Proposed Amendment to SB 187/HB 161 as Introduced

National Board Teacher Stipends

Provision in BRFA as Introduced: Repeal the requirement that the State match county teacher stipends for teachers who hold National Board Certification (NBC) and reduce the maximum amount that the State *may* match for NBC stipends for teachers who work in a comprehensive needs school from $4,000 to $2,000.

Provision as Recommended by DLS: Reject repealing the requirement that the State match county teacher stipends for teachers who hold NBC and reject reducing the maximum amount that the State *may* match for NBC stipends for teachers who work in a comprehensive needs school from $4,000 to $2,000.

Agency: Maryland State Department of Education

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	$2.1	$2.1	$2.1	$2.1	$2.1

Background/Recent History: Chapter 740 of 2016 increased the maximum State match for county stipends for teachers who hold NBC *and* work in a school with comprehensive needs from $2,000 to $4,000, beginning in fiscal 2018. The BRFA of 2017 delayed the $2,000 increase in the State match for NBC teachers who work in comprehensive needs schools from fiscal 2018 to 2019.

State Effect: General fund expenditures increase by an estimated $2.1 million compared to the Governor's BRFA proposal in fiscal 2019, assuming local school systems grant teachers the maximum stipend amount and a level number of eligible teachers. The Governor's proposed fiscal 2019 budget includes a $2.1 million general fund reduction contingent on legislation reducing the mandated NBC stipend amount by $2,000. However, DLS believes that this amount is overstated. DLS estimates that the higher stipend amount increases costs by approximately $600,000, and that under *current law*, the program is overfunded by $1.3 million in fiscal 2019. Thus, the higher stipend amount can be funded in fiscal 2019 and, after a $1.3 million reduction, the program will still be fully funded. DLS makes the recommendation to reduce the allowance by $1.3 million in the Aid to Education budget analysis.

Local Effect: Local school system revenues and expenditures increase beginning in fiscal 2019 for the State match for NBC stipends, and expenditures increase further for the local portion of the stipend increase.

Proposed Amendment to SB 187/HB 161 as Introduced

Next Generation Scholars of Maryland Program

Provision in BRFA as Introduced: Repeals the mandate that the Next Generation Scholars of Maryland Program (Next Generation Scholars) be funded at $5.0 million annually through fiscal 2023; funding for the program becomes discretionary beginning in fiscal 2019.

Provision as Recommended by DLS: Reject repealing the mandate for Next Generation Scholars and instead reduce the mandated amount to $4.7 million annually to level fund the program for fiscal 2019 through 2023 at the fiscal 2018 amount.

Agency: Maryland State Department of Education

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0	-$0.3	-$0.3	-$0.3	-$0.3	-$0.3

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	$4.7	$4.7	$4.7	$4.7	$4.7

Background/Recent History: Chapter 33 of 2016 reestablished the College Readiness Outreach Program as the Next Generation Scholars. In addition to making significant changes to the program, from fiscal 2018 through 2023, Chapter 33 requires the Governor to include $5.0 million in general funds for the program to be administered in school systems in which at least 50% of the students are eligible to receive a free lunch under the National School Lunch Program in the 2015-2016 school year. Funding is to be distributed to qualified nonprofit organizations to provide guidance and services including mentorship, graduation guidance, and an intensive summer bridge program to specified students eligible for the Guaranteed Access scholarship for qualified low-income students to attend an institution of higher education. Fiscal 2018 is the first year of the program. Grants totaling $4.7 million were distributed to nonprofit organizations serving eligible students in Baltimore City and Allegany, Caroline, Dorchester, Kent, Prince George's, Somerset, and Wicomico counties.

State Effect: General fund expenditures decrease by $0.3 million beginning in fiscal 2019.

Local Effect: None. However, without increased funding over the fiscal 2018 amount, the program would not be able to be expanded to additional eligible students.

Proposed Amendment to SB 187/HB 161 as Introduced

Maryland 529 Matching Contributions

Provision in BRFA as Introduced: Reduces the minimum amount of funding that the Governor must provide for State matching contributions to eligible 529 college savings accounts to $2.0 million annually beginning in fiscal 2019.

Provision as Recommended by DLS: Reduce the minimum funding amount to $3.0 million and alter the program criteria to provide a higher State match for lower income participants, as discussed below.

Agency: Maryland 529

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	-$4.0	-$7.0	-$7.0	-$7.0	-$7.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	$1.0	$1.0	$1.0	$1.0	$1.0

Background/Recent History: As part of a multifaceted approach to address the affordability of higher education, the College Affordability Act of 2016 (Chapter 690) established an annual State matching contribution of $250 per beneficiary for new 529 college savings accounts, which is administered by Maryland 529 and marketed as "Save4College." The Governor is required to include in the budget for the program $5 million in fiscal 2018, increasing to $7 million in fiscal 2019 and $10 million in fiscal 2020 and beyond. In the first year of the program, Maryland 529 received 3,084 applications, out of which 1,815, or 59%, qualified. Matching contributions totaling $453,750 were subsequently made in fiscal 2018. The Governor's proposed fiscal 2019 budget anticipates the reversion of the remaining $4.5 million of unspent fiscal 2018 funds.

The minimum personal contribution necessary to receive the flat $250 State matching contribution varies with income, up to a maximum of $125,000/$175,000 for single/joint filers. In fiscal 2018, about 44% of State match recipients had income of less than $50,000/$75,000 and another 44% had incomes between $50,000 to $87,500/$75,000 to $125,000. (The remaining 12% had incomes up to the maximum amount.) A higher match amount may provide greater incentive for lower income families to participate in the 529 program. Therefore, DLS recommends increasing the State match to $500 for recipients with incomes below $87,500/$125,000 in order to increase participation in the program. Assuming $3 million annual funding for the program, at least 6,000 beneficiaries could receive a State match each year (more depending on how many applicants have the highest incomes and receive the $250 match).

State Effect: General fund expenditures decrease by $4.0 million in fiscal 2019 and by $7.0 million annually thereafter.

Subcommittee Assignments: EBA/EED DLS Alt-11

Proposed Amendment to SB 187/HB 161 as Introduced

Property Tax Assessment Cost Share

Provision in BRFA as Introduced: Increase to 90% the amount that each county and Baltimore City must reimburse the State Department of Assessments and Taxation (SDAT) for the costs of real property valuation, business personal property valuation, information technology (IT), and the Office of the Director.

Provision as Recommended by DLS: Delete the provision.

Agency: State Department of Assessments and Taxation

Type of Action: Cost Control; Fund Swap

Fiscal Impact of DLS Recommendation vs. Current Law: The DLS recommendation maintains current law.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	$19.7	$20.6	$21.2	$21.8	$22.5
SF Rev.	0.0	-19.7	-20.6	-21.2	-21.8	-22.5
SF Exp.	0.0	-19.7	-20.6	-21.2	-21.8	-22.5

Background/Recent History: Prior to fiscal 2012, all costs associated with property tax assessments were paid by the State. The BRFA of 2011 required local units to fund 90% of the costs for real property valuation, business personal property valuation, and SDAT IT expenditures for fiscal 2012 and 2013 and 50% thereafter. The BRFA of 2017 included a provision similar to the current proposal. That action would have increased the local cost share to 70% in fiscal 2018 and 90% in fiscal 2019 and thereafter. The General Assembly struck that provision.

State Effect: No change from current law.

Local Effect: No change from current law.

Proposed Amendment to SB 187/HB 161 as Introduced

Temporary Assistance for Needy Families Federal Funds

Provision in BRFA as Introduced: Authorizes Temporary Assistance for Needy Families (TANF) federal fund spending in fiscal 2018 to exceed a cap of $249,874,106 that was included in the fiscal 2018 budget bill.

Provision as Recommended by DLS: Increases the TANF federal fund spending cap in fiscal 2018 to $256,324,264 rather than removing the cap.

Agency: Department of Human Services

Type of Action: Fund Swap

Fiscal Impact of DLS Recommendation vs. Current Law: Federal fund expenditures may increase by up to $6.5 million. The availability of additional federal funding may mitigate the need to add general funds to cover budget shortfalls.

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	-$6.45	$0.00	$0.00	$0.00	$0.00	$0.0
FF Exp.	6.45	0.00	0.00	0.00	0.00	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: Limits the increase in federal fund expenditures to the amount of revenue expected to be available and thus potentially decreases general fund expenditures by the same amount. As introduced the federal fund spending for TANF would increase by an unknown amount.

Background/Recent History: Language added to the fiscal 2018 budget bill capped the level of TANF spending in fiscal 2018 to $249.9 million, which was the level included in the budget as introduced. With this level of cap, the TANF closing balance is projected to be $6.5 million.

From fiscal 2011 through 2016, the TANF program operated with a deficit in Maryland. During the 2017 session, the TANF deficit was expected to continue through fiscal 2018. The cap was intended to limit any increase in the deficit. However, spending reductions in fiscal 2017 eliminated the TANF deficit, and the TANF program ended with a small positive balance ($3.7 million).

State Effect: Limits the increase in TANF spending to $6.5 million. Total TANF spending would equal $256.3 million, the estimated amount of funds available. Limiting the increase to the level of estimated available funds helps to ensure that TANF spending does not exceed available funds to prevent a return to a deficit in the program.

Subcommittee Assignments: HHS/HSS DLS Alt-31

Proposed Amendment to SB 187/HB 161 as Introduced

Maryland Trauma Physician Services Fund

Provision in BRFA as Introduced: Authorize, for fiscal 2019 only, $8.0 million from the Maryland Trauma Physician Services Fund to be used for Medicaid provider reimbursements.

Provision as Recommended by DLS: Increase the authorized transfer to $10.0 million.

Agency: Maryland Department of Health

Type of Action: Cost Containment

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	-$10.0	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	10.0	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	$0.0	-$2.0	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	2.0	0.0	0.0	0.0	0.0

Background/Recent History: The Maryland Trauma Physician Services Fund was established in 2003 and covers the cost of uncompensated medical care provided by trauma physicians at Maryland's designated trauma centers; Medicaid-enrolled patients; trauma-related, on-call, and standby expenses; and trauma equipment grants. For Medicaid-enrolled patients, the fund covers half of the difference between the standard Medicaid rate and 100% of the Medicare rate (with federal funds covering the other half). The fund is supported by a $5 surcharge on motor vehicle registrations and renewals and is administered by the Maryland Health Care Commission. In the fiscal 2017 Maryland Trauma Physician Services Fund annual report, it was noted that the fund had a fiscal 2017 year-ending fund balance of $10.4 million, up from $7.9 million in fiscal 2016. In fiscal 2017, the fund received $12.6 million from the $5 surcharge and other recoveries and disbursed $10.1 million. The projected fiscal 2018 year-end fund balance was $11.7 million.

State Effect: Reduces general fund expenditures by $10.0 million in fiscal 2019 only and increases special fund spending by a corresponding amount.

Subcommittee Assignments: HHS/HSS DLS Alt-33

Proposed Amendment to SB 187/HB 161 as Introduced

Horse Racing Special Fund – Maryland Stadium Authority Sports Marketing

Provision in BRFA as Introduced: Repeals a mandated grant in fiscal 2018 and 2019 of $350,000 to the Maryland Office of Sports Marketing for incentive grants for youth and amateur sporting events.

Provision as Recommended by DLS: Add language to clarify that the $350,000 in lottery funds for a fiscal 2018 and 2019 Office of Sports Marketing grant for youth and amateur sports goes to the General Fund.

Agency: Department Labor, Licensing, and Regulation

Type of Action: Fund Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Rev.	$0.35	$0.35	$0.00	$0.00	$0.00	$0.00
SF Exp.	0.00	0.00	0.00	0.00	0.00	0.00

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Rev.	$0.35	$0.35	$0.00	$0.00	$0.00	$0.00

Background/Recent History: Chapter 727 of 2016 established the Maryland International thoroughbred race to be conducted by a licensee at Laurel Park, subject to the approval of the Maryland Racing Commission. From the State Lottery Fund, the Comptroller must annually distribute $1.0 million to the horse racing special fund to fund (1) a purse for the Maryland International thoroughbred race; (2) a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes; and (3) grants to the Maryland Office of Sports Marketing and the Maryland Humanities Council. This provision will implement the special fund spending mandate relief proposed by the Governor by transferring the revenues to the General Fund.

State Effect: This provision will increase general fund revenue.

Subcommittee Assignments: EBA/EED DLS Additional-101

Proposed Amendment to SB 187/HB 161

Temporary Disability Assistance Program Fiscal 2018 Withdrawal

Provision as Recommended by DLS: Reduce the fiscal 2018 appropriation for the Temporary Disability Assistance Program by $1,423,240 from the $2,000,000 that is restricted for a $10 per month per recipient benefit increase to account for a lower caseload and the fact that a benefit has not been provided through February 2018.

Agency: Department of Human Services (DHS)

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	-$1.423	$0.000	$0.000	$0.000	$0.000	$0.000

Background/Recent History: The fiscal 2018 budget bill included language restricting $2.0 million in general funds for the Assistance Payments Program to be used for a $10 per month per recipient benefit increase. This amount in restricted funds would have supported an increase for approximately 16,670 recipients for 12 months. While DHS indicates that no final decision has been made, the increased benefit has not been provided through February 2018. In addition, the average monthly caseload in fiscal 2018 year to date is 14,419. The fiscal 2019 budget provides approximately $1.5 million to provide a $10 per month per recipient benefit increase effective July 1, 2018.

State Effect: Reduces potential general fund spending by $1,423,240. The reduction would come from the $2.0 million that is restricted for the benefit increase. This action accounts for the lower caseload than was expected and the time that has passed during fiscal 2018 in which no benefit increase was provided, July through February. After this reduction, $576,760 in restricted funds would remain to be used for a $10 per month per recipient increase for the remaining four months of the fiscal year (March through June).

Local Effect: None.

Proposed Amendment to SB 187/HB 161

AltaGas Ltd. and WGL Holdings, Inc. Merger Approval Conditions

Provision as Recommended by DLS: Require any funds provided to State agencies as a result of conditions of an approved merger between AltaGas Ltd. and WGL Holdings, Inc. (WGL) be appropriated through the State budget bill, other legislation, or a budget amendment.

Agency: Maryland Energy Administration (MEA); Public Service Commission (PSC)

Type of Action: Administrative

Fiscal Impact vs. Current Law: None, to the extent that these funds would otherwise be spent by State agencies. The timing or amount of any increased special fund revenue or spending is unclear because the merger review is ongoing.

Background/Recent History: In May 2017, AltaGas Ltd. (AltaGas) and WGL filed an application for approval of a merger with PSC under Section 6-105 of the Public Utilities Article. On December 1, 2017, the companies and some parties to the case, including MEA, filed a proposed settlement agreement. The proposed settlement includes two new commitments that would provide funding to MEA:

- $4.6 million, to be contributed within 90 days of the merger closing to supplement funding for programs benefiting commercial and industrial customers in Washington Gas and Light's Maryland service territory; and

- $33 million, to be contributed within four months of the merger closing, to create a Maryland Gas Expansion Fund to be used to promote the expansion of natural gas infrastructure.

The deadline for completion of the review by PSC is April 4, 2018. The final amount of funds available to State agencies as a result of an approved merger are unknown nor is it known if the merger will be approved.

Similar provisions were included in the Budget Reconciliation and Financing Act (BRFA) of 2015 related to funds provided as a result of the Exelon Corporation and Pepco Holdings, Inc. merger and the BRFA of 2012 related to funds provided as a result of the Exelon Corporation and Constellation Energy Group merger.

State Effect: The provision does not impact overall State agency spending that would occur as a result of the conditions placed on the merger approval if approved by PSC but requires these funds to be expended through the State budget. This action ensures transparency in spending by State agencies and provides for General Assembly oversight of State agency spending.

Local Effect: This provision does not impact funds provided through conditions of approval of the merger to entities other than State agencies.

Proposed Amendment to SB 187/HB 161

Amend Section 2-302 of the Health-General Article to Clarify Statute

Provision as Recommended by DLS: This provision clarifies Section 2-302 of the Health-General Article by specifying the base funding that is included in the formula for Core Public Health Services (CPHS) funding to local health departments (LHD) and the fiscal year data used in the formula calculation.

Agency: Maryland Department of Health

Type of Action: Administrative

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Background/Recent History: Section 2-302 of the Health-General Article mandates funding for CPHS to LHDs. The appropriation is mandated to grow based on population growth and inflation. However, ambiguity in the statute allows for more than one interpretation.

LHDs receive funding from the State that is not included in the mandated appropriation. However, based on the wording of Section 2-302, the amount of base funding to be inflated in the statute is subject to interpretation. This action clarifies the relevant portion of the statute to only grow funding that was mandated through the formula in the previous year. This is the same practice that administrations have followed since the formula was established, but the wording of Section 2-302 implies that all funding to LHDs can roll into the base for the formula calculation.

It has recently come to the attention of DLS that the Administration uses different fiscal year dates when interpreting population growth and inflation despite the language being identical in both relevant subsections. This action clarifies the inflationary factors to be applied based on a specific date rather than the current interpretation that allows for the Administration to pick a date within the fiscal year.

State Effect: None.

Local Effect: None.

Subcommittee Assignments: HHS/HSS DLS Additional-104

Proposed Amendment to SB 187/HB 161

Amend Fiscal 2018 Appropriations in the Developmental Disabilities Administration

Provision as Recommended by DLS: These provisions amend the fiscal 2018 appropriation for the Maryland Department of Health Developmental Disabilities Administration (DDA) to reduce funding intended for two new waiver programs and two contracts. The new waivers have much lower enrollment than expected at the time of formulation of the fiscal 2018 budget, and DDA has not procured two contracts tied to the funds.

Agency: Maryland Department of Health

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp.	-$5.9	$0.0	$0.0	$0.0	$0.0	$0.0
FF Rev.	-4.8	0.0	0.0	0.0	0.0	0.0
FF Exp.	-4.8	0.0	0.0	0.0	0.0	0.0

Background/Recent History: The fiscal 2018 legislative appropriation budgeted $3.7 million in general funds for two new waiver programs that had yet to be approved by the Centers for Medicare and Medicaid Services (CMS). That amount of funding would ensure funding for 800 enrolled individuals for half of the fiscal year. CMS approved both waivers in fall 2017, and enrollment applications for the programs opened on January 2, 2018. As of February 21, 2018, only 43 individuals are enrolled across the two waiver programs, and only 77 more individuals are awaiting approval to enroll. Based on current enrollment, DDA will not expend a majority of the fiscal 2018 appropriation. This action reduces both the general and federal fund appropriation by $1.85 million, half of the current appropriation.

The fiscal 2018 legislative appropriation budgeted approximately $3.2 million in general funds and $2.4 million federal funds for execution of a contract to conduct utilization review audits and $0.8 million in general funds and $0.6 million federal funds for execution of a financial management services contract for self-directed services. DDA is not procuring either of these contracts in fiscal 2018. This action eliminates funding for the contracts in fiscal 2018.

State Effect: State expenditures in fiscal 2018 decrease by $5.9 million.

Subcommittee Assignments: HHS/HSS DLS Additional-105, 106, 107

Proposed Amendment to SB 187/HB 161

Maryland Department of Transportation Operating Expense Forecast Minimum Increase

Provision as Recommended by DLS: Require the Maryland Department of Transportation (MDOT), when it develops the Transportation Trust Fund (TTF) forecast, to increase the estimated operating expenses for the department for years three through six of the forecast period by at least the most recent five-year average annual rate of change in the department's actual operating spending. Underestimating operating expenses in the forecast results in capital spending programmed at a higher level than will likely occur.

Agency: MDOT

Type of Action: Administrative

Fiscal Impact vs. Current Law: Potentially increase the amount of operating spending assumed in the transportation forecast and potentially reduce the funding programmed for capital projects in the TTF forecast.

Background/Recent History: In the fiscal 2018 to 2023 TTF forecast, the average annual increase in operating expenses is 2.4%. The actual 5-year average annual increase has fallen below that level only twice in 20 years, and those instances included operating spending during the Great Recession. For the past 2 years, committee narrative in the *Joint Chairmen's Report* has directed MDOT to use the 5-year average annual rate of increase for years 3 through 6 of the forecast, but it has not done so. Underestimating operating expenses in the forecast results in higher projected capital spending than will likely occur.

State Effect: None.

Local Effect: None.

Proposed Amendment to SB 187/HB 161

Tuition Stabilization Trust Fund Transfer

Provision as Recommended by DLS: Transfer $1,820,520 from the Tuition Stabilization Trust (TST) to either the General Fund or the Need-based Student Aid Financial Assistance Fund in the Maryland Higher Education Commission.

Agency: Higher Education

Type of Action: Fund Transfer

Fiscal Impact vs. Current Law: If transferred to the General Fund, general fund revenues increase by $1.8 million. If transferred to the Need-based Student Aid Financial Assistance Fund, the transfer would increase special fund revenues and expenditures by $1.8 million.

Background/Recent History: The TST was established by Chapters 192 and 193 of 2010 and was intended to increase the predictability of tuition increases at State institutions by accumulating a reserve of funds to offset significant tuition increases. Statute requires that the TST maintain a balance of 1% to 5% of undergraduate tuition revenue. However, after eight years, the TST does not contain adequate revenue to offset even a 1 percentage point tuition increase.

State Effect: General fund revenues increase by $1.8 million, or special fund revenues and expenditures increase by $1.8 million in fiscal 2019, depending on which transfer option is chosen.

Subcommittee Assignments: EBA/EED DLS Additional-109

Proposed Amendment to SB 187/HB 161

Transfer Excess Fiscal 2017 Medicaid Accrual Funds to the General Fund

Provision as Recommended by DLS: Transfer $15.0 million in surplus fiscal 2017 accrual funds to the General Fund.

Agency: Maryland Department of Health

Type of Action: Fund Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Rev.	$15.0	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: At the end of each fiscal year, Medicaid accrues remaining funds to pay for Medicaid bills received in the following fiscal year but which are charged back to the prior year. That accrual can also be used to cover other Medicaid-related expenses. The fiscal 2019 budget plan includes a planned reversion of $28 million based on the assumption that the fiscal 2017 accrual overestimated the amount of charges to be made against it by that amount. Based on data through January 2018, it appears that the $28 million estimate of surplus from the accrual is too low. DLS estimates that there will be a $43 million surplus.

State Effect: Increases general fund revenues by $15.0 million.

Subcommittee Assignments: HHS/HSS DLS Additional-110

Proposed Amendment to SB 187/HB 161

Medicaid-specific Hospital Cost and Total Cost-of-care Savings

Provision as Recommended by DLS: Require the Maryland Department of Health (MDH) and the Health Services Cost Review Commission (HSCRC) to develop Medicaid-specific hospital cost and total cost-of-care savings targets outside of the All-payer Model Contract.

Agency: Maryland Department of Health

Type of Action: Cost Containment

Fiscal Impact vs. Current Law: Indeterminate but potentially significant savings.

Background/Recent History: The All-payer Model Contract requires the State to meet certain metrics throughout the five-year waiver demonstration period in order for the State to maintain the contract. Some of those metrics apply generally, for example, limiting per capita all-payer hospital revenue growth. Other metrics are Medicare-specific, for example, achieving a certain level of cumulative Medicare savings in hospital expenditures. While MDH and HSCRC indicate that the Center for Medicare and Medicaid Innovation does not want to include Medicaid-specific targets in the new contract, MDH and HSCRC could set Medicaid-specific targets outside of that contract so that the State and federal government could potentially realize the same type of savings realized by Medicare under the contract to date.

State Effect: Indeterminate but potential significant savings.

Proposed Amendment to SB 187/HB 161

Interagency Agreements

Provision as Recommended by DLS: Make technical and clarifying changes to existing language regarding the review of interagency agreements.

Agency: Department of Budget and Management (DBM)

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Background/Recent History: Chapter 23 of 2017 added a statutory provision establishing a staggered, triennial review cycle for interagency agreements that have been in place for three or more years and have cumulative expenditures exceeding $750,000 in the last three fiscal years. The focus of the new review process was to determine whether the interagency agreement is necessary and should continue, whether services can be provided more cost effectively by the agency or unit through a competitive procurement, and whether the agreement is being utilized due to the inability to recruit or retain positions. In the process of fulfilling the new reporting and review requirements, DBM encountered issues with gathering accurate and consistent data. In addition, because of a lack of expenditure history for these agreements, DBM was required to make some judgment calls when selecting which agreements to include in the statutory review.

State Effect: The recommended changes will provide DBM with clarification on the process that should be used for selecting interagency agreements eligible for review under the statutory provision. The proposed changes focus the review on agreements with a certain value, as opposed to actual expenditures, state that the agreement must have been in place for at least part of the most recently closed fiscal year, and allow for at least a portion of the agreement to take place prospectively, and not just those that have been in place for the last three fiscal years.

Subcommittee Assignments: B&T/APP DLS Additional-112

Proposed Amendment to SB 187/HB 161

Automated Speed Enforcement Program Citation Increase

Provision as Recommended by DLS: Alter statute to have the State Highway Administration (SHA) establish a graduated penalty structure through regulation for persons receiving more than two citations in a year from the Automated Speed Enforcement (ASE) program. At a minimum, the fines for the third and subsequent citations should be double the existing fee of $40.

Agency: Department of State Police; State Highway Administration

Type of Action: Revenue Enhancement

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Rev.	$0.0	$0.2	$0.2	$0.2	$0.2	0.1
SF Exp.	0.0	0.2	0.2	$0.2	0.2	0.1

Background: Chapter 500 of 2009 authorized the use of ASE in highway work zones and schools as a means of increasing safety without the need for additional staff resources. The Maryland SafeZones program, administered by SHA, the Maryland Transportation Authority, and the Department of State Police (DSP), only operates in highway work zones. SHA notes that prior to implementation of the ASE system, 70% of drivers in enforced work zones were exceeding the speed limit by 12 miles per hour or more. As of 2017, less than 10% were receiving a citation. Despite this decrease, six people lost their lives in work zone crashes on SHA maintained roadways in 2016, including one highway worker. Citation data suggests a major problem for further safety improvements is how to curb the number of repeat offenders who appear willing to pay the fine because there is no increase in penalties for amassing multiple citations. HB 14 proposes to implement the minimum increase recommended by DLS.

State Effect: In fiscal 2017, approximately 359,600 citations were issued by work zone speed monitoring systems, of which 6,120 were for vehicles that had three or more violations. Assuming each of those violations paid an $80 fine, this would generate $489,600 in revenues in a fiscal year, or $244,800 more revenue than if all violators instead paid the $40 fine. Given that the increased penalty is meant to be a deterrent, it is assumed that revenues would decrease at a rate of 14% annually, based on the decline in citation revenues experienced over the past seven years. As current revenues are statutorily required to fund the SHA vendor contract for the monitoring systems and then be distributed to DSP to fund operating costs and road enforcement activities, it is assumed that special fund expenditures will increase equivalently with revenues.

Total revenue generated could vary depending on whether the increased fine generates more individuals challenging the citation, or if SHA were to implement more penalty tiers than what is recommended as the minimum consideration of $80 for every third or subsequent violation.

Proposed Amendment to SB 187/HB 161

Maryland Center for School Safety

Provision as Recommended by DLS: Amend existing statute to place the Maryland Center for School Safety (MCSS) under the authority of the Governor's Office of Crime Control and Prevention (GOCCP).

Agency: Department of State Police (DSP); GOCCP

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Background: Chapter 372 of 2013 established MCSS as an independent unit within State government based at Bowie State University; however, MCSS receives its funding through DSP and is located at the Maryland Coordination and Analysis Center. In fulfilling its mission, MCSS provides a variety of services that include organizing trainings and seminars, reviewing school safety plans, providing technical assistance, and attending meetings of various task forces, commissions, and public organizations. MCSS' activities do not include law enforcement functions, but the center does provide training and assistance to law enforcement personnel.

State Effect: The provisions consolidate school safety programs within a singular State agency in order to more efficiently and effectively utilize resources. MCSS receives an annual mandated appropriation of $500,000 in general funds; however, the center has yet to utilize its full appropriation. On average, MCSS expends $270,000 annually. The fiscal 2019 allowance for GOCCP includes $2 million in general funds to establish a new School Safety Program in response to Chapter 732 of 2017, which created a grant program to provide funding for security-related projects to schools and child care centers at risk of a hate crime. Education Article § 7-1502.1 identifies MCSS as the entity responsible for making the grants; however, it was determined that GOCCP has better capacity and experience to administer the grant funds. While GOCCP has indicated that it will consider input from MCSS when making award decisions, it is redundant and inefficient to have two programs serving similar purposes budgeted in separate State agencies with separate appropriations, particularly when MCSS has not been spending its full $500,000 appropriation.

Subcommittee Assignments: PSTE/PSA DLS Additional-114

Proposed Amendment to SB 187/HB 161

Restrict Fiscal 2018 General Fund Surplus to Pay Federal Fund Disallowance

Provision as Recommended by DLS: This provision restricts an identified general fund surplus of $27.6 million to be used to refund a portion of a federal fund disallowance pending the receipt of a disallowance letter from the federal government. If the federal government does not issue a disallowance letter by the end of fiscal 2019, the $27.6 million surplus reverts to the General Fund.

Agency: Maryland Department of Health (MDH)

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Background/Recent History: In an audit report released in June 2015, the Office of the Inspector General at the U.S. Department of Health and Human Services documented an additional overclaiming of federal funds, resulting in a recommendation that the State refund $34.2 million to the federal government. This $34.2 million represents the federal share of services provided over a three-year period (July 1, 2010, to June 30, 2013) to individuals with developmental disabilities who, because of their high degree of need, were provided additional services beyond residential habilitation services (add-on services). During this same time period, the department claimed $329.0 million ($178.7 million federal share) for all add-on waiver services.

The agency noted that no payments will be made until MDH receives a disallowance letter from the federal government. As of February 2018, there is no disallowance letter. However, the General Accounting Division of the Comptroller of Maryland recorded a decrease to the General Fund in the State's fiscal 2017 *Comprehensive Annual Financial Report* to recognize these disallowances. This finding was included in the Office of Legislative Audits' *Statewide Review of Budget Closeout Transactions for Fiscal Year 2017*.

The Developmental Disabilities Administration (DDA) has been successful in recent years at increasing waiver enrollment across community-based services. The federal government reimburses 50% of the cost of services for individuals enrolled in the waiver. The fiscal 2017 appropriation understated waiver enrollment, which resulted in a $35.7 million reversion to the General Fund at the end of fiscal 2017 as more individuals qualified for federal matching funds.

The fiscal 2018 working appropriation understates waiver enrollment as well. At the time of submission of the fiscal 2018 budget, the extent of increased enrollment in fiscal 2017 was not yet known. DDA has since revised its fiscal 2018 waiver enrollment estimate from 88.4% of individuals enrolled to 91.3% of individuals enrolled. This increased enrollment, combined with less individuals enrolled in supported employment services, results in a $27.6 million surplus in general funds in fiscal 2018. This action restricts this surplus to pay down the federal disallowance. If the federal government does not issue a disallowance letter before the end of fiscal 2019, the restricted funding would revert to the General Fund.

Proposed Amendment to SB 187/HB 161

Cap on Nonwithholding Income Tax Revenues Limit

Provision as Recommended by DLS: Phase in the statutory cap on projected nonwithholding income tax revenues so that the maximum cap is 0.5% of projected general fund revenues in fiscal 2020, 1% in fiscal 2021, and 2% in fiscal 2022.

Agency: State Reserve Fund's Revenue Stabilization Account (Rainy Day Fund)

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law: No impact in fiscal 2019.

Background/Recent History: Chapters 4 and 550 of 2017 establish a cap on income tax nonwithholding revenues that are used in the revenue estimate based on the 10-year average of income tax nonwithholding revenues. If nonwithholding revenues are less than the 10-year average, there is no effect. In some years, actual income tax nonwithholding revenues will exceed the capped revenues that were budgeted. No more than 2% of projected general fund revenues are subject to the cap.

Beginning with fiscal 2020, if actual income tax nonwithholding income tax revenues exceed the cap, the amount of income tax nonwithholding revenues that exceed the capped estimate must be applied as follows:

- the first priority is to close the revenue gap for that fiscal year so that funds must be used to close any budget deficit;
- if the available nonwithholding income tax revenues exceed the amount that is needed to close the gap (or there is no budget deficit), the Comptroller must distribute any remaining amount to the Rainy Day Fund;
- if the Rainy Day Fund balance is equal to or exceeds 6% of estimated general fund revenues, the Comptroller must distribute 50% of any remaining amount to the Rainy Day Fund and the other 50% into the Fiscal Responsibility Fund; and
- if the Rainy Day Fund balance exceeds 10% of estimated general fund revenues, any remainder must be distributed to the Fiscal Responsibility Fund.

The bill establishes a special, nonlapsing Fiscal Responsibility Fund to provide supplemental pay-as-you-go (PAYGO) capital funds for public school construction, public school capital improvement projects, capital projects at public community colleges, and capital projects at four-year public institutions of higher education. The Governor must include, in the budget bill for the second following fiscal year, an appropriation equal to the amount in the fund for PAYGO capital projects.

The law is applied each year when revenues are projected. Although the law does not require that the State apply the cap until fiscal 2020, **Exhibit 1** shows how the law would be implemented using fiscal 2019 revenue estimates.

Exhibit 1
Effect of Different Caps on Fiscal 2019 Nonwithholding Revenue Limits
($ in Millions)

Cap or Maximum Test: Percent of General Fund Revenues	2.00%	1.00%	0.50%
Preliminary Adjustment Prior to Applying Cap	-$276	-$276	-$276
Maximum Income Tax Nonwithholding Cap	-352	-176	-88
Final General Fund Revenue Adjustment	**-$276**	**-$176**	**-$88**

Source: State Comptroller's Office

Based on the current out-year revenue forecast, the cap would result in a similar amount of revenue being reduced from the estimate in fiscal 2020 and in each of the subsequent three years. By statute, fiscal 2020 is the first year that the cap will apply. The current revenue forecast assumes growth in general fund revenues before applying the cap of $514 million. Applying the cap would eliminate more than half of the projected revenue growth. The impact of the cap is especially acute in fiscal 2020 because it is the first time that the cap is applied. Nonwithholding revenues represent a similar share of the general fund revenues in both fiscal 2019 and 2020, but the cap does not go into effect until fiscal 2020. Phasing the cap in over a multi-year period would minimize the shock that results from going from an uncapped environment to a capped environment.

State Effect: Potential increase in general fund revenues to support the budget in fiscal 2020 and 2021 due to the lower cap. A corresponding potential increase in general fund spending in fiscal 2020 and 2021. Revenues for the Rainy Day Fund and Fiscal Stabilization Fund may decrease in fiscal 2020 and 2021. Special fund expenditures from the Fiscal Stabilization Fund may decrease in fiscal 2022 and 2023.

Local Effect: State aid for local governments may increase in fiscal 2020 and 2021 if additional general fund revenues are available.

Proposed Amendment to SB 187/HB 161

Require Review and Comment Period Before Approving Transfer of Funds Out of the Catastrophic Event Account and the Dedicated Purpose Account

Provision as Recommended by DLS: This proposes to allow the Legislative Policy Committee (LPC) a 15-day review and comment period prior to the Administration approving budget amendments transferring funds out of the Catastrophic Event Account and a 45-day review and comment period prior to approving budget amendments out of the Dedicated Purpose Account (DPA).

Agency: State Reserve Fund

Type of Action: Administrative

Fiscal Impact vs. Current Law: No fiscal impact. The language requires a review and comment period.

Background/Recent History: In a letter dated January 8, 2018, the Governor notified the President of the Senate and the Speaker of the House that Budget Amendment 034-18 transfers $2.5 million from the Catastrophic Event Account to the Department of General Services to support the cost of repairs to heating, ventilation, and air conditioning systems in Baltimore City Schools. The Administration did not provide the legislature an opportunity to review and comment prior to processing the amendment.

The Catastrophic Event Account is in Section 7-324 of the State Finance and Procurement Article. The law provides that "[A]fter notice to and approval by the Legislative Policy Committee, the Governor may transfer funds by budget amendment from the Account to the expenditure accounts of the appropriate unit of State government." According to advice from the Attorney General's Office, approval by LPC is a legislative veto, which is unconstitutional. As such, the Administration merely needs to provide notice to the committee. This process does not provide any opportunity for the General Assembly to review and comment about fund transfers out of the Catastrophic Event Account. The Attorney General's Office advises that State law can be amended so that the General Assembly has an opportunity to review and comment prior to transfers from the Catastrophic Event Account to State agencies.

There are similar provisions in State law governing the DPA.

State Effect: Effects relate to the timing of expenditures since this requires a review and comment period, but this does not allow for the committees to reduce or increase spending.

Local Effect: None.

Subcommittee Assignments: B&T/APP DLS Additional-117

Proposed Amendment to SB 187/HB 161

Extend Repayment of the Local Income Tax Reserve Account

Provision as Recommended by DLS: Extend the $10 million annual repayment to the Local Income Tax Reserve Account beyond fiscal 2025.

Agency: None. The transfer is made into the Local Income Tax Reserve Account prior to depositing income taxes into the General Fund, so no appropriation is necessary.

Type of Action: Administrative

Fiscal Impact of DLS Recommendation vs. Current Law: Beginning in fiscal 2026, general fund revenues are reduced by $10 million.

Background/Recent History: In fiscal 2015, $100 million was transferred from the Local Income Tax Reserve Account to the General Fund. Chapter 489 required that $10 million will be reimbursed each year, beginning in fiscal 2016, with a final payment in fiscal 2025. The reimbursement is not appropriated; instead, the portion of personal income tax net receipts deposited into the reserve account will be increased to provide an additional $10 million annually. As of fiscal 2018, the unfunded liability is $716.8 million.

State Effect: Beginning in fiscal 2026, general fund revenues are reduced by $10 million.

Local Effect: None.

Proposed Amendment to SB 187/HB 161

Conform Elimination of State Prescription Drug Coverage for Medicare-eligible Retirees to Revised Closure of Medicare Part D Coverage Gap

Provision as Recommended by DLS: Amend Section 2-509.1(b) of the State Personnel and Pensions Article to reflect January 1, 2019, as the elimination date of State prescription drug coverage for Medicare-eligible retirees. This amendment would align elimination of the State prescription drug coverage for Medicare-eligible retirees with the revised closure of the Medicare Part D coverage gap (donut hole), as signed into law February 9, 2018, by President Donald J. Trump.

Agency: Department of Budget and Management; Statewide Action

Type of Action: Cost Containment

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Rev.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp.	0.0	-30.0	0.0	0.0	0.0	0.0
SF Exp.	0.0	-10.0	0.0	0.0	0.0	0.0
FF Exp.	0.0	-10.0	0.0	0.0	0.0	0.0

Background/Recent History: Medicare Part D is an optional outpatient prescription drug coverage subsidized by the U.S. federal government for which beneficiaries pay a monthly premium. Under the program, beneficiaries pay 100% of their drug costs until they reach the yearly deductible amount. After reaching the deductible, the Medicare plan covers a share of prescription drug costs with the beneficiary paying a share, usually 25%. This is known as the initial coverage phase. Once the beneficiary and the plan have spent a certain amount in combined costs, then the beneficiary reaches the coverage gap, also known as the donut hole, where beneficiaries pay the full cost of their medications while continuing to pay premiums. In calendar 2018, when Medicare beneficiaries' out-of-pocket (OOP) costs, combined with the plan's costs exceeded $3,750, they enter this gap. Coverage resumes when OOP costs including brand manufacturer discounts reach $5,000, also known as catastrophic coverage, at which time most OOP costs are waived.

The 2010 Affordable Care Act (ACA) included provisions to reduce the Medicare Part D coverage gap until the gap is fully eliminated by January 1, 2020. At that time, the coverage for Medicare beneficiaries whose costs fall within the coverage gap will pay the same rates as pre-gap coverage until the beneficiary reaches catastrophic coverage. On February 9, 2018, President Trump signed into law the Bipartisan Budget Act of 2018, which accelerated the closure of the Medicare Part D coverage gap to January 1, 2019 – one year earlier than the 2010 ACA provided.

Current State statute eliminates prescription drug coverage to Medicare-eligible retirees in fiscal 2020, which starts July 1, 2019. The intention was to align elimination of State prescription drug coverage with the closing of the Medicare Part D donut hole. With the recently accelerated date, this means that the State would be providing wraparound prescription drug coverage to Medicare-eligible retirees for six months after the Medicare donut hole has been closed.

State Effect: State health insurance expenditures decrease in fiscal 2019 by $50 million ($30 million in general funds, $10 million in special funds, and $10 million in federal funds). The reduction is the result of accelerating the elimination of State provided prescription drug coverage to Medicare-eligible retirees six months earlier than currently provide in statute. Administrative expenditures increase by $124,380 to accelerate the timeline and communicate with Medicare-eligible retirees prior to the effective date of the change in statute.

Proposed Amendment to SB 187/HB 161

Judicial Compensation Commission Recommendation Budget Clarification

Provision as Recommended by DLS: This provision would make technical adjustments to clarify that the Judiciary may include in its budget request the necessary funds to implement the recommendations of the Judicial Compensation Commission (JCC).

Agency: Judiciary

Type of Action: Administrative

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Background/Recent History: Courts and Judicial Proceedings Article § 1-704 states in part that: "Any increase in judicial salary shall be included in the portion of the budget bill relating to the executive department, and not the portion relating to the judiciary department." This provision is not consistent with the current practice, by which the Judiciary, to the extent JCC has recommended salary increases, calculates the total impact of the JCC recommendation and requests the necessary funds as part of its own budget request.

State Effect: None.

Subcommittee Assignments: PSTE/PSA DLS Additional-120

Proposed Amendment to SB 187/HB 161

Maryland Transportation Authority Financial Forecast Deadline

Provision as Recommended by DLS: Alter the statutory deadline for the submission of the Maryland Transportation Authority's Financial Forecast from July 1 of each year to September 1 of each year to conform with current practice.

Agency: Maryland Transportation Authority

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Background/Recent History: None.

State Effect: No fiscal impact.

Local Effect: None.

Proposed Amendment to SB 187/HB 161

Clarification of POS State Share for Allocation of Maryland Heritage Areas Authority Financing Fund Funding

Provision as Recommended by DLS: Clarify that the additional transfer tax funding above $3.0 million that is authorized to be allocated to the Maryland Heritage Areas Authority Financing Fund is to be taken solely out of the funding attributable to the Program Open Space (POS) – State share funding for land acquisitions portion of the transfer tax allocation formula. This holds harmless the funding allocated to the Forest Service and Maryland Park Service, and the POS – Local share.

Agency: Department of Natural Resources

Type of Action: Administrative

Fiscal Impact vs. Current Law: No impact.

Background/Recent History: Chapters 660 and 661 of 2017 (POS – Authorized Transfer to the Maryland Heritage Areas Authority Financing Fund – Increase) authorized up to an additional $3.0 million ($6.0 million total) annually to be provided to the Maryland Heritage Areas Authority Financing Fund. The fiscal 2019 allowance provides the full $6.0 million. The language in Chapters 660 and 661 provided some latitude for interpretation by noting that the amount exceeding $3.0 million be provided from the State's share of funds, which was interpreted as being the State component of POS but with a lack of clarity about whether to include funding allocated to the Maryland Park Service and Forest Service. The Administration took an even more broad interpretation of the State's share to mean the entirety of the funding allocated to POS, thus including the POS – State share and the Maryland Park Service and Forest Service as well as the POS – Local share.

The Administration has advised that it intends to submit a supplemental budget to modify the transfer tax formula allocation in order to hold both the Maryland Park Service and Forest Service and the POS – Local share funding harmless from the additional $3.0 million allocated to the Maryland Heritage Areas Authority Financing Fund. Under the modification proposed by the Administration, there would be a decrease of $1.9 million for the POS State component offset by increases of $0.6 million for the Maryland Park Service and Forest Service, $0.9 million for the POS – Local component and an increase of $0.4 million for the Natural Resources Development Fund. The provision described herein would codify the modification in funding proposed by the Administration.

State Effect: To the degree that there is an allocation above $3.0 million to the Maryland Heritage Areas Authority Financing Fund, the funding would be taken out of the POS – State share of funding that goes to land acquisitions and would not harm the Forest Service or Maryland Park Service.

Local Effect: To the degree that there is an allocation above $3.0 million to the Maryland Heritage Areas Authority Financing Fund, the funding would not be taken out of the POS – Local share of funding.

Proposed Amendment to SB 187/HB 161

Speed Camera Revenue Distribution to State Police

Provision as Recommended by DLS: Amend existing statute to require speed camera revenues distributed to the Department of State Police (DSP) to be used to fund motor vehicle purchases only.

Agency: Department of State Police

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Background: Section 12-118 of the Transportation Article dictates that disbursement of speed camera revenues be first applied to DSP operating costs for the program, and in fiscal 2016, 2017, and 2018, $7 million in revenues should be used to purchase replacement vehicles for the department's patrol fleet. The balance of the money in the special fund shall be distributed to DSP to fund roadside enforcement activities. The provision requiring speed camera revenues in excess of operating expenses be used to fund vehicle replacement purchases expired in fiscal 2018.

Revenues from speed cameras have declined by over $8.8 million, or 54%, since fiscal 2013. According to revenue and expenditure data provided by the State Highway Administration, fiscal 2017 citation revenues totaled $7.6 million. With this decrease, DSP has never received the $7 million in special funds, as required by the statute. In fiscal 2016, $2 million was distributed to the department, and an additional $3 million was provided in fiscal 2017.

State Effect: Dedicating speed camera revenues to motor vehicle purchases, as opposed to the program's operating costs, would ensure that the revenues are put toward one-time expenses, as the speed camera funds are a fluctuating revenue source. Currently, DSP funds salaries for staff involved in operating the program and other operating costs with the initial revenues. These are ongoing expenses being funded with a revenue source that varies from year to year and does not reflect sound fiscal policy.