Additional Reduction Recommendations

February 26, 2019

Additional Reduction Recommendations
General Fund Savings
Fiscal 2019-2020

	2019	2020
Delay fiscal 2020 general salary and provider rate increases by six months		$106.6
Reduce Rainy Day Fund Balance to 6%		90.0
Less general fund support for Debt Service offset by one cent property tax increase		76.0
Delete the Pension Sweeper		50.0
Scale back Year 1 impact of Revenue Volatility on general fund revenue estimates		46.0 *
Defer reduction in Medicaid Hospital Deficit Assessment		40.0 *
Delay Portion of Transfer Tax Repayment		25.4
Withdraw fiscal 2019 funding for Medicaid based on favorable trends	$25.0 *	
Withdraw fiscal 2019 funding for correctional officers based on vacancy levels	15.0 *	
Reduce funding for USM workforce development initiative		11.3
Reduce Employee and Retiree Health Insurance surplus		10.2
Divert Maryland Health Insurance Plan surplus funding to Medicaid		10.0 *
Reduce funding for Managed Care Organization Calendar 2019 rates, lowering rates by 0.5%	4.7 *	9.7
Withdraw fiscal 2019 Amazon Sunny Day Fund payment	10.0 *	
Withdraw and reduce funding for the Teacher Induction, Retention, and Advancement Pilot Program	2.0 *	4.0
Withdraw fiscal 2019 funding for DJS per diem placements based on caseload trends	4.0 *	
Withdraw Fiscal 2019 funding for Developmental Disabilities utilization review contracts	3.9 *	
Reduce funding for Sellinger/Aid to Community Colleges based on reductions to USM/Morgan		3.0
Reduce funding for the Seed Community Development Anchor Institution Fund		2.0
Increase the fee supporting the Uninsured Employers Fund		2.0 *
Expand use of Maryland Trauma Physicians Services Fund for Medicaid		2.0 *
Use Strategic Energy Investment Fund balance to purchase State vehicles		1.5
Reduce funding for Morgan State University proportional to USM		1.0
Direct revenue from MDOT resource sharing agreements to the Major IT Fund		1.0 *
Reduce funding for Department of Aging's new Durable Medical Equipment program		1.0
Total	**$64.6**	**$492.7**

DJS: Department of Juvenile Services
IT: information technology
MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation
MDOT: Maryland Department of Transportation
USM: University System of Maryland

* Contingent on legislation.

Additional Reductions

Delay General Salary and Provider Rate Increases by Six Months

Provision as Recommended by DLS: Delay implementation of fiscal 2020 general salary increase, the State Law Enforcement Officers Labor Alliance (SLEOLA) and the Maryland Transportation Authority (MDTA) Police general salary increase and increment, and provider rate increases by six months.

Agency: Statewide

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$106.6
SF Exp.	0.0	-15.0
FF Exp.	0.0	-41.3

Background: The fiscal 2020 budget includes a 3.0% general salary increase for State employees effective July 1, 2019, a 5% general salary increase and increments for SLEOLA and MDTA Police, and rate increases of 3.0% to 3.5% for certain Medicaid, Department of Human Services', and Department of Juvenile Services' providers. Delaying these increases by six months, to January 1, 2020, generates $106.6 million in general fund savings ($162.9 million total funds).

Additional Reductions

Reduce the Rainy Day Fund Balance to 6% of General Fund Revenues

Provision as Recommended by DLS: Reduce the appropriation to the Rainy Day Fund by $90 million to provide an estimated end of fiscal 2020 balance of 6% of estimated general fund revenues.

The Spending Affordability Committee (SAC) has recommended that the fiscal 2020 Rainy Day Fund ending balance be at least 6% of estimated general fund revenues. The current spending plan provides the Rainy Day Fund with an estimated closing balance that is 6.5% of general fund revenues. The General Assembly could reduce the appropriation and still comply with the SAC recommendation.

Agency: State Reserve Fund

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$90.0

Background: The fiscal 2020 allowance includes a required appropriation of $443.8 million. The budget also transfers $158 million from the Rainy Day Fund to the General Fund.

Additional Reductions

Increase State Property Tax to Reduce Reliance on Bond Sale Premiums

Provision as Recommended by DLS: Increase the State property tax rate by one cent.

The State property tax rate could be increased to reduce reliance on general funds to support general obligation (GO) bond debt service. The budget includes $287 million of general funds for debt service. The current property tax rate is $0.112 per $100 of assessable base. Increasing the State property tax by one cent per every $100 of assessable base is projected to increase special fund revenues by $76 million. This increase would allow for a $76 million reduction in general funds.

Agency: Public Debt

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$76.0
SF Rev.	0.0	76.0
SF Exp.	0.0	76.0

Background: State property taxes are deposited into the Annuity Bond Fund to support GO bonds' debt service costs. In fiscal 2020, $861 million is expected in State property tax revenues. The property tax rate was last changed in fiscal 2007 when the rate was reduced from $0.132 cents to the current $0.112 cents per $100 of assessable base. The last increase was in April 2003 when the rate was raised from $0.084 cents to $0.132 cents per $100 of assessable base.

Additional Reductions

Delete Pension "Sweeper" Contribution

Provision as Recommended by DLS: Delete the mandated contribution to the pension fund.

Agency: State Retirement Agency and the Department of Budget and Management

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$50.0

Background: The Budget Reconciliation and Financing Act (BRFA) of 2015 (Chapter 489) required that, for fiscal 2017 through 2020, an amount equal to one-half of the unappropriated general fund surplus in excess of $10 million from the second prior fiscal year be paid to the State Retirement and Pension System (SRPS) trust fund, up to a maximum of $50 million annually. Historically, pension sweeper funding has only been provided in fiscal 2017. Required funding in fiscal 2018 and 2019 was repealed by BRFA legislation in 2017 and 2018, respectively.

Cap on Nonwithholding Income Tax Revenues Limit

Provision as Recommended by DLS: Limit the cap on projected nonwithholding income tax revenue that must, under certain circumstances, be reduced from projected general fund revenue estimates from 0.5% to 0.25% of general fund revenues in fiscal 2020.

Agency: State Reserve Fund's Revenue Stabilization Account (Rainy Day Fund) and the Fiscal Responsibility Fund

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Rev.	$0.0	$46.0

Background: 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. In those years, the legislation outlines how the excess revenues are to be used. Chapters 4 and 550 originally set the cap at 2% of general fund revenues beginning in fiscal 2020. Chapter 10 of 2018 phased in the cap over 3 years, with no more than 0.5% of projected general fund revenues subject to the cap in fiscal 2020.

Additional Reductions

Defer the Reduction in the Medicaid Deficit Assessment

Provision as Recommended by DLS: Maintain the fiscal 2019 level of funding from the Medicaid Deficit Assessment ($334,825,000) in the Medicaid program rather than the mandated reduction of $40.0 million to $294,825,000.

Agency: Maryland Department of Health

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$40.0
SF Rev.	0.0	40.0
SF Exp.	0.0	40.0

Background: During the most recent recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users); and (2) a remittance from hospitals. The Budget Reconciliation and Financing Act (BRFA) of 2014 (Chapter 464) required the Health Services Cost Review Commission (HSCRC) to calculate the general fund savings to Medicaid resulting from implementation of the all-payer model contract. Any savings were to be used to reduce the Medicaid Deficit Assessment. The BRFA of 2015 (Chapter 489) delayed the reduction in the assessment based on the methodology developed by HSCRC by one year and also replaced the savings methodology with a simple reduction of $25.0 million over the prior year appropriation of the Medicaid deficit assessment. The fiscal 2017 budget was the first to contain a reduction in the Medicaid Deficit Assessment, from $389.8 million to $364.8 million. The BRFA of 2017 (Chapter 23) included a one-year delay in the assessment reduction but amended the reduction required in fiscal 2019 and fiscal 2020 to $35.0 million in each year and specified the deficit assessment level. The BRFA of 2018 (Chapter 10) decreased the reduction in fiscal 2019 to $30.0 million that resulted in the need for a $40.0 million reduction in fiscal 2020.

Additional Reductions

Transfer Tax Repayment Reduction

Provision as Recommended by DLS: Reduce the transfer tax repayment for fiscal 2020 by $25,360,950 budgeted in the Dedicated Purpose Account, attributable to the amount that is to be repaid for the diversions to the State's General Fund between fiscal 2016 and 2018. There is a commensurate reduction in fiscal 2020 special fund spending for the existing transfer tax allocation among Program Open Space (POS) (including an allocation to the Maryland Park Service's (MPS) operating budget), the Agricultural Land Preservation Fund, the Rural Legacy Program, and the Heritage Conservation Fund.

Agency: Dedicated Purpose Account; Department of Natural Resources; Maryland Department of Agriculture

Requires Legislation: No

Fiscal Impact of DLS Recommendation:

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$25.4
SF Rev.	0.0	-25.4
SF Exp.	0.0	-25.4

Background: Among other actions, Chapter 10 of 2016 (POS – Transfer Tax Repayment – Use of Funds) required the Governor to appropriate $152.2 million from the General Fund to the transfer tax special fund, an amount equivalent to the cumulative appropriations or transfers from the transfer tax special fund to the General Fund in fiscal 2016 through 2018, less $72 million. The Governor must appropriate at least (1) one-third of the amount by June 30, 2021; (2) two-thirds of the amount by June 30, 2025; and (3) the total amount by June 30, 2029. The appropriations to the transfer tax special fund are allocated according to an existing allocation among POS (including an allocation to the MPS's operating budget), the Agricultural Land Preservation Fund, the Rural Legacy Program, and the Heritage Conservation Fund.

The recommended action would push out the $25.4 million repayment of the transfer tax (fiscal 2016 to 2018 transfers) amount to fiscal 2021. **Exhibit 1** shows the impact of the $25.4 million reduction in fiscal 2020.

Exhibit 1
Transfer Tax Funding Change
Fiscal 2020

Program	**With $25.4 Million Repayment**	**Without $25.4 Million Repayment**	**Difference**
Forest and Park Service	$5,690,500	$1,878,750	-$3,811,750
Department of Natural Resources – Land Acquisition and Planning			
Program Open Space – State	10,764,341	3,553,907	-7,210,434
Program Open Space – Local	8,535,752	2,818,125	-5,717,627
Rural Legacy Program	1,893,048	625,000	-1,268,048
Capital Development	9,840,520	7,267,969	-2,572,551
Heritage Conservation Fund	681,497	225,000	-456,497
Maryland Department of Agriculture – Maryland Agricultural Land Preservation Foundation	6,455,292	2,131,250	-4,324,042
Total	**$43,860,950**	**$18,500,001**	**-$25,360,949**

Source: Department of Budget and Management; Department of Legislative Services

Additional Reductions

Withdraw Fiscal 2019 Medicaid Surplus

Provision as Recommended by DLS: Withdraw $25.0 million of the fiscal 2019 Medicaid appropriation based on favorable enrollment and spending trends.

Agency: Maryland Department of Health

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	-$25.0	$0.0

Background: Based on current enrollment and spending trends, DLS estimates that Medicaid will underspend the fiscal 2019 budget. Even after accounting for the need to cover deficits in fiscal 2018 that have been rolled into fiscal 2019 and moving forward proposed fiscal 2020 one-time spending into fiscal 2019, there is at least $25.0 million in general funds that will not be needed for Medicaid expenses.

Additional Reductions

Withdraw Public Safety Correctional Officer Funding

Provision as Recommended by DLS: Withdraw fiscal 2019 funding for correctional officers (CO) based on vacancy levels.

Agency: Department of Public Safety and Correctional Services (DPSCS)

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	**FY 2020**
GF Exp.	-$15.0	$0.0

Background: At DPSCS, CO vacancies have been extremely high for several fiscal years. In fiscal 2019, the Division of Correction (DOC) and the Division of Pretrial Detention (DPD) have 1,161 vacancies that represent an estimated $62.9 million in unused salary funding ($44.2 million for DOC and $18.7 million for DPD).

Additional Reductions

University System of Maryland

Provision as Recommended by DLS: Reduce funding for Workforce Development Initiatives (WDI) in the University System of Maryland (USM) to level fund the program.

Agency: USM

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$11.3
CUF Rev.	0.0	-11.3
CUF Exp.	0.0	-11.3

Background: In fiscal 2019, USM received $2 million for WDIs that were supplemented with the institutions' fund balance and other institutional funds. The fiscal 2020 allowance provides an additional $20 million of general funds for WDIs. The proposed reduction would fund WDIs at the fiscal 2019 level.

Additional Reductions

Reduce Employee and Retiree Health Insurance Contributions Based on Available Fund Balance

Provision as Recommended by DLS: Reduce expenditures on State Employee and Retiree Health Insurance contributions to reflect available fund balance.

Agency: Statewide and the Department of Budget and Management

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0	-$10.2
SF Exp.	0	-3.4
FF Exp.	0	-3.4

Background: The Employee and Retiree Health Insurance account is projected to close fiscal 2020 with a fund balance of about $20 million after estimated incurred but not received claims. This provision reduces fiscal 2020 contributions by $17 million to reflect the availability of this fund balance.

Divert Funding Retained from the Maryland Health Insurance Plan to Medicaid

Provision as Recommended by DLS: Divert $10.0 million in funding retained after the repeal of the Maryland Health Insurance Plan (MHIP) to Medicaid.

Agency: Maryland Department of Health

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$10.0
SF Exp.	0.0	10.0

Background: MHIP was the State's high-risk health insurance pool for people with medical conditions that prevented them from accessing affordable health insurance. MHIP plans were subsidized through an assessment on Maryland's hospitals. With the passage of the federal Affordable Care Act and its prohibition against denying coverage for pre-existing conditions, MHIP was repealed. However, funding that supported MHIP remained in the MHIP Fund. The Budget Reconciliation and Financing Act (BRFA) of 2015 (Chapter 489) authorized $55.0 million of the fund balance to be transferred to Medicaid with the remainder to be used in fiscal 2016 through 2019 for integrated care networks. The fiscal 2020 budget proposes spending most of the remaining balance of the integrated care network funding (estimated at $12.0 million) although to date no legislation has been introduced to authorize the use of the funds.

Additional Reductions

Reduce Managed Care Organization Calendar 2019 Rates by 0.5%

Provision as Recommended by DLS: Reduce Managed Care Organization (MCO) rates by 0.5%.

Agency: Maryland Department of Health

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	-$4.7	-$9.7

Background: The calendar 2019 MCO rate adjustment was 1 percentage point above the bottom of the actuarially sound rate range. The recommendation would reduce funding for rates by a further 0.5%, which produces general fund savings over both fiscal 2019 and 2020.

Additional Reductions

Withdraw Amazon Grant in the Economic Development Opportunities Fund

Provision as Recommended by DLS: Withdraw the fiscal 2019 grant of $10 million in the Economic Development Opportunities Fund (commonly referred to as the Sunny Day Fund) intended for Amazon because Maryland was not the chosen location for the second headquarters.

Agency: State Reserve Fund – Sunny Day Fund

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Rev.	$10.0	$0.0

Background: The Sunny Day Fund provides conditional loans and investments to take advantage of extraordinary development opportunities defined, in part, as those situations that create or retain substantial numbers of jobs and where considerable private investment is leveraged. The fiscal 2019 appropriation to the Sunny Day Fund includes $10 million as part of what was intended to be a $150 million grant to Amazon as part of an incentive package to encourage the company to build a second headquarters in Montgomery County. Montgomery County was not chosen as the location and, therefore, the funds are not needed for this purpose.

Additional Reductions

Reduce the Teacher Induction, Retention, and Advancement Pilot Program

Provision as Recommended by DLS: Reduce the annual amount of funding that the Governor must provide for the Teacher Induction, Retention, and Advancement (TIRA) Pilot Program through fiscal 2022 to $1.0 million based on actual demand for the program.

Agency: Maryland State Department of Education (MSDE) – Aid to Education

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	-$2.0	-$4.0

Background: 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. The Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) lowered the mandated funding amount for fiscal 2018 to $2.1 million, while the BRFA of 2018 (Chapter 10) lowered the mandated funding amount for fiscal 2019 to $3.0 million. The fiscal 2020 mandated funding is $5.0 million.

However, the full appropriation for the TIRA Pilot Program has not been necessary to support all applying local school systems. In fiscal 2018, three local school systems applied for the program (Montgomery, Prince George's, and Washington counties) and received a total of $1.1 million. For fiscal 2019, MSDE reports that only the Montgomery County Public Schools applied for and is receiving funding of $500,183.

Additional Reductions

Withdraw Department of Juvenile Services Residential and Nonresidential Per Diem Savings

Provision as Recommended by DLS: Withdraw fiscal 2019 funding for the Department of Juvenile Services (DJS) residential and nonresidential per diems based on continued population declines.

A $4.0 million general fund reduction for residential and nonresidential per diems will better place the current budget in line with actual funding needs based on current population data and is consistent with the sizeable year-end reversions generated from the department as population declines have exceeded expectations in recent years.

Agency: DJS

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	-$4.0	$0.0

Background: The residential per diem population has fallen by nearly 60% in the past five years, and fiscal 2019 year-to-date population data shows the average daily population (ADP) on par with the fiscal 2018 ADP. Similarly, nonresidential caseloads have been falling since fiscal 2009, declining 62% over the past decade. Data through the first half of the fiscal year suggests that the downward trend for nonresidential per diem programming will continue in fiscal 2019. The fiscal 2019 working appropriation for contractual programming is approximately $7.0 million above fiscal 2018 actual expenditures.

Additional Reductions

Developmental Disabilities Administration Fiscal 2019 Contract Savings

Provision as Recommended by DLS: Withdraw funds for two contracts in the fiscal 2019 appropriation for the Maryland Department of Health Developmental Disabilities Administration (DDA) that will not be procured in fiscal 2019.

Agency: Maryland Department of Health

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	-$3.9	$0.0
FF Exp.	-2.9	0.0

Background: The fiscal 2019 legislative appropriation included $3.1 million in general funds and $2.3 million in federal funds for the execution of a contract to conduct utilization review audits and $815,496 in general funds and $602,758 in federal funds for execution of a financial management services contract for self-directed services. DDA expects to procure the utilization review audits contract in July 2019 and the financial management services contract in January 2020.

Maryland Higher Education Commission

Provision as Recommended by DLS: Reduce funding for the Cade and Sellinger formulas consistent with recommended reductions for the University System of Maryland (USM) and Morgan State University (MSU).

Agency: Maryland Higher Education Commission

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$3.0

Background: Reducing funding for USM and MSU by $22 million would result in a $2.4 million reduction in the funding for the Cade formula for community colleges and a reduction of $0.6 million for the Sellinger formula for independent institutions of higher education.

Additional Reductions

Seed Community Development Anchor Institution Fund

Provision as Recommended by DLS: Reduce the amount of funding for the Seed Community Development Anchor Institution Fund in fiscal 2020 only. This action would leave $3 million for the program in fiscal 2020.

Agency: Department of Housing and Community Development

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	**FY 2020**
GF Exp.	$0.0	-$2.0

Background: Chapter 31 of 2016 created the Seed Community Development Anchor Institution Fund and required a $5 million appropriation to the fund in fiscal 2018 through 2022. The Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) altered the mandate to allow the Governor to use either the operating budget, the capital budget, or a combination of both to meet the mandate. The purpose of the fund is to provide grants and loans to anchor institutions for community development projects in blighted areas of the State. The BRFA of 2018 reduced the mandate for fiscal 2019 to $4 million. The $4 million was restricted by language in the budget bill to a specific project. The fiscal 2020 budget provides $5 million in general funds to meet the mandate.

Additional Reductions

Increase Assessment Revenue to Uninsured Employers' Fund

Provision as Recommended by DLS: Reduce $2 million in general funds provided in fiscal 2020 to the Uninsured Employers' Fund (UEF) contingent on legislation that increases the assessment on specified workers' compensation awards and settlements to 3%, a 1 percentage point increase over the current maximum assessment rate. Raising the assessment eliminates the need for the general funds provided in fiscal 2020 as a result of the increased revenue to UEF.

Agency: Uninsured Employers' Fund

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0	-$2.0
SF Rev.	$0	$4.0

Background: Historically, UEF is entirely special funded through an assessment on awards against, and settlements with, employers or insurers for permanent disability or death as defined by Section 9-1007 of the Labor and Employment Article. According to statute, if the UEF board determines that reserves of the fund are inadequate to meet anticipated losses, the board may direct the Workers' Compensation Commission to impose an assessment of up to 2% on permanency awards. The assessment has been at 2% since fiscal 2009. Increasing benefit payments and agency operating costs have resulted in expenditures outstripping revenues since fiscal 2015. UEF's fund balance has decreased from $10.9 million in fiscal 2015 to $6.1 million in fiscal 2018. Based on actual revenue and expenditure data, UEF is projected to be insolvent by fiscal 2021. The fiscal 2020 allowance includes $2 million in general funds, which is the first time that general funds have been provided to UEF.

DLS estimates that raising the fee by 1 percentage point would result in $4 million in additional special fund revenue in fiscal 2020. With this additional revenue, the fund is projected to close with a $2.3 million structural surplus for fiscal 2020 and eliminate the need for general fund support.

Additional Reductions

Require an Ongoing Payment from the Maryland Trauma Physician Services Fund to Medicaid

Provision as Recommended by DLS: Require an ongoing payment of $2.0 million from the Maryland Trauma Physician Services Fund to Medicaid.

Agency: Maryland Department of Health

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$2.0
SF Exp.	0.0	2.0

Background: The Maryland Trauma Physician Services Fund was established in 2003 and covers the cost of medical care provided by trauma physicians at Maryland's designated trauma centers for uncompensated care, 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 2018 Maryland Trauma Physician Services Fund annual report, it was noted that the fund had a fiscal 2018 year-ending fund balance of $11.0 million, up from $10.4 million in fiscal 2017. In fiscal 2018, the fund received $12.4 million from the $5 surcharge and other recoveries and disbursed $11.9 million. The projected fiscal 2019 year-ending fund balance was $4.9 million after a transfer of $8.0 million to Medicaid authorized in the Budget Reconciliation and Financing Act of 2018 (Chapter 10).

Additional Reductions

Purchase Electric or Hybrid Vehicles Using Strategic Energy Investment Funds

Provision as Recommended by DLS: Reduce general funds for proposed vehicle purchases.

The general funds can be replaced by Strategic Energy Investment Fund (SEIF) balance in the Renewable and Clean Energy programs for the purchase of all electric or plug-in hybrid vehicles. Alternative fuel vehicles, including electric vehicle and plug-in hybrid vehicles, would be an eligible use of these funds. Additional SEIF would be required as the current standard purchase price for sedans is higher for fully electric and plug-in hybrid sedans. In future years, gasoline costs of the agencies may also be reduced as a result of this action.

Agency: Statewide, excluding agencies requiring police vehicles

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$1.5
SF Exp.	0.0	2.3

Background: The Maryland Energy Administration operates transportation-related programs through the renewable and clean energy program funding available from the SEIF. At the close of fiscal 2020, the Renewable and Clean Energy subaccount of the SEIF is expected to have a balance of $10.3 million. The balance may be reduced to $9.6 million if HB 151/SB 168 (Clean Cars Act of 2019) pass.

Fiscal 2020 general fund spending for vehicle purchases is $3.7 million excluding agencies requiring police vehicles.

Additional Reductions

Reduce Funding for Morgan State University

Provision as Recommended by DLS: Reduce the general fund appropriation for Morgan State University (MSU) by $1.0 million. This action would reduce funding for MSU in proportion with a recommended reduction for the University System of Maryland.

Agency: MSU

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	**FY 2020**
GF Exp.	$0.0	-$1.0
CUF Rev.	0.0	-1.0
CUF Exp.	0.0	-1.0

Additional Reductions

Credit Revenues from the Maryland Department of Transportation Resource Sharing Agreements to the Major Information Technology Development Project Fund

Provision as Recommended by DLS: Require the Maryland Department of Transportation (MDOT) to deposit revenues from Resource Sharing Agreements (RSA) into the Major Information Technology Development Fund (MITDPF) instead of retaining them in the Transportation Trust Fund.

Agency: MDOT

Requires Legislation: Yes

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	$1.0
SF Rev. TIF	0.0	-1.0
SF Rev. MITDF	0.0	1.0

Background: RSAs permit private companies to install, operate, and maintain communications systems on State resources. In exchange, the private companies provide the State with monetary compensation, equipment, or services. Funds collected from RSAs must be deposited into the MITDPF to fund major information technology project development. Funds collected from RSAs by MDOT, the Maryland Transportation Authority, the Maryland Public Television, and agencies within the Judicial and Legislative branches of State government are retained by those agencies and not deposited into the MITDPF. The Maryland Port Administration, the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and the Maryland Stadium Authority are exempt from Department of Information Technology oversight and also are not required to deposit RSA funds into the MITDPF.

Additional Reductions

Reduce Funds for Maryland Department of Aging Proposed Durable Medical Equipment Program

Provision as Recommended by DLS: Reduce general funds included in the fiscal 2020 allowance for a new Durable Medical Equipment program in the Maryland Department of Aging (MDOA) by $1.0 million.

Agency: Maryland Department of Aging

Requires Legislation: No

Fiscal Impact of DLS Recommendation

($ in Millions)

	FY 2019	FY 2020
GF Exp.	$0.0	-$1.0

Background: The fiscal 2020 allowance of MDOA proposes to establish a new statewide Durable Medical Equipment program with $1.4 million in general funds. Funding in fiscal 2020 will be used for the startup costs of a facility to receive, sterilize, and refurbish durable medical equipment for Maryland residents. The program, as presented, would not be limited to low-income elderly populations but would serve individuals of all ages and levels of need. Equipment issued through the program would be offered to Marylanders free of charge.

Currently, the local area agencies on aging (AAA) operate durable medical equipment closets that provide loaned equipment for elderly individuals on an as needed basis. In addition, certain philanthropic and community service organizations provide a similar service. The reduction will leave MDOA with $400,000 that could be used by MDOA for the promotion of durable medical equipment programs operated by AAA and community organizations or for the provision of one-time grants to the AAAs to bolster the efforts of their own durable medical equipment programs.