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# **Analysis of Supplemental Budget No. 1**

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**Presentation to the House Committee on Appropriations**

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

**March 7, 2007**

## Supplemental Budget No. 1

(\$ in Millions)

### Summary of General Fund Revenue Actions

|  | <u><b>FY 2008</b></u> |
|--|-----------------------|
| <b>DBM Estimated Closing Balance (January 2007)</b>            | <b>\$29.9</b>         |
| <b>Spending Highlights</b>                                     |                       |
| Withdraw debt service based on bond premium                    | \$14.2                |
| Retirement rate error Payments to Civil Divisions of the State | -\$0.2                |
| <b>Subtotal</b>  | <b>\$14.0</b>         |
| <b>DBM Est. Revised Closing Balance (March 2007)</b>           | <b>\$43.8</b>         |

### Spending Affordability Impact

| <u><b>Funds</b></u>            | <u><b>2006</b></u><br><u><b>Session</b></u> | <u><b>2007</b></u><br><u><b>Session</b></u> | <u><b>\$</b></u><br><u><b>Change</b></u> | <u><b>%</b></u><br><u><b>Change</b></u> |
|--------------------------------|---|---|--|---|
| General                        | \$13,286.6                                  | \$14,422.0                                  | \$1,135.5                                | 8.55%                                   |
| Special                        | 3,261.8                                     | 3,467.0                                     | 205.2                                    | 6.29%                                   |
| Higher Education               | 1,805.7                                     | 1,871.0                                     | 65.3                                     | 3.62%                                   |
| <b>Estimated Budget Growth</b> | <b>\$18,354.0</b>                           | <b>\$19,760.0</b>                           | <b>\$1,406.0</b>                         | <b>7.66%</b>                            |
| <b>SAC Limit</b>               | <b>\$18,354.0</b>                           | <b>\$19,804.0</b>                           | <b>\$1,450.0</b>                         | <b>7.90%</b>                            |
| <b>Variance</b>                |   |   | <b>-\$44.0</b>                           | <b>-0.24%</b>                           |

DBM: Department of Budget and Management  
SAC: Spending Affordability Committee

## Supplemental Budget No. 1

### Action by Fund Source

|   | <u>General</u>       | <u>Special</u>       | <u>Federal</u>       | <u>Higher<br/>Education</u> |
|---|----------------------|----------------------|----------------------|-----------------------------|
| Higher Education Unrestricted and Restricted Revenues   |                      |                      |                      | \$67,371,413                |
| Annuity Bond Fund                                       |                      | \$14,150,879         |                      |                             |
| Dedicated Purpose Account – Energy Programs             |                      | 4,500,000            |                      |                             |
| Local Health Departments                                |                      | 3,269,925            |                      |                             |
| Medical Assistance Program                              |                      |                      | \$22,931,932         |                             |
| Supplemental Nutrition for Women, Infants, and Children |                      |                      | 13,016,290           |                             |
| Healthy Marriage/Responsible Fatherhood                 |                      |                      | 2,683,009            |                             |
| Boating Safety Financial Assistance                     |                      |                      | 1,575,000            |                             |
| GEAR-UP College Intervention                            |                      |                      | 1,200,000            |                             |
| Immunization Grants                                     |                      |                      | 1,069,573            |                             |
| Temporary Assistance for Needy Families                 |                      |                      | -8,000,000           |                             |
| Other   |                      | 1,560,104            | 5,200,697            |                             |
| <b>Revenue</b>  | <b>\$0</b>           | <b>\$23,480,908</b>  | <b>\$39,676,501</b>  | <b>\$67,371,413</b>         |
| <b>Spending</b>   | <b>-\$13,983,373</b> | <b>-\$23,480,908</b> | <b>-\$39,676,501</b> | <b>-\$67,371,413</b>        |
| <b>Net Impact</b>                                       | <b>-\$13,983,373</b> | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>                  |

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|------------|-------------|-------------|---|-----------|-----------|------------|------------|------------|
| Full       | 4           | 1           | <b>Payments to Civil Divisions of the State</b><br>Properly reflect retirement costs  | \$167,506 |           |            |            |            |
| HHR        | 4           | 2           | <b>Department of Aging</b><br>Increase funds for Aging and Disability Resource Center   |           |           | \$211,953  |            |            |
| HHR        | 4           | 3           | <b>MIEMSS</b><br>Funds will be accounted for as reimbursable instead  |           |           | -600,000   |            |            |
| Full       | 4           | 4           | <b>State Retirement Agency</b><br>Fund new positions created by Board of Public Works –<br><b>DLS recommends rejecting</b>      |           | \$203,046 |            |            |            |
| T&E        | 5-7         | 5-14        | <b>Department of Natural Resources</b><br>Fiscal 2007 deficiencies for DNR police (\$1.9 million) and<br>various other programs |           | 258,890   | 2,192,865  |            |            |
| T&E        | 7           | 15          | <b>Department of Agriculture</b><br>Ensure minimum funding for Agricultural Fair Board  |           | 3,798     |            |            |            |
| HHR        | 8           | 16          | <b>DHMH – Health Boards</b><br>Fiscal 2007 deficiency for operating costs   |           | 206,705   |            |            |            |
| HHR        | 8           | 17          | <b>DHMH – Administration</b><br>Fiscal 2007 deficiency for Vital Records  |           |           | 41,023     |            |            |
| HHR        | 8-9         | 18-21       | <b>DHMH – Community and Family Health</b><br>Fiscal 2007 deficiency for various programs  |           |           | 11,902,272 |            |            |
|            |             |             | Additional federal funds in fiscal 2008 for the Women,<br>Infants, and Children Food (WIC) program                              |           |           | 3,954,700  |            |            |

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|------------|-------------|-------------|--|-----------|-----------|------------|------------|------------|
| HHR        | 9           | 22          | <b>DHMH – Office of Preparedness and Response</b><br>Fiscal 2007 deficiency for Tamiflu  |           |           | 752,677    |            |            |
| HHR        | 9           | 23          | <b>DHMH – Laboratory Administration</b><br>Fiscal 2007 deficiency for testing and monitoring activities  |           | 7,000     | 940,654    |            |            |
| HHR        | 10          | 24          | <b>DHMH – Alcohol and Drug Abuse Administration</b><br>Fiscal 2007 deficiency to develop protocols   |           |           | 159,509    |            |            |
| HHR        | 10-12       | 25-33       | <b>DHMH – Mental Hygiene Administration</b><br>Fiscal 2007 deficiency for community services   |           |           | 1,163,023  |            |            |
|            |             |             | Fiscal 2007 deficiency for institutions  |           | 372,642   | 636        |            |            |
| HHR        | 12-13       | 34-36       | <b>DHMH – Developmental Disabilities Administration</b><br>Fiscal 2007 deficiency for community services,<br>administrative overhead, and institutions |           | 45,123    | 10,144,572 |            |            |
| HHR        | 13          | 37          | <b>DHMH – Administration</b><br>Fiscal 2007 deficiency for administrative costs  |           |           | 4,605      |            |            |
| HHR        | 13-14       | 38-42       | <b>DHMH – Medical Care Programs Administration</b><br>Fiscal 2007 deficiency recognizing local health department<br>spending and federal match         |           | 3,269,925 | 3,908,113  |            |            |
|            |             |             | Fiscal 2008 – local funds and federal match for special<br>education and transportation services   |           | 372,900   | 414,451    |            |            |

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|------------|-------------|-------------|---|-----------|-------------|-----------|--------------|--------------|
| HHR        | 15          | 43-46       | <b>DHR – Adult and Community Services</b><br>Withdraw portion of fiscal 2008 allowance transferring funds from Dedicated Purpose Fund to energy assistance program  |           | -10,000,000 |           |              |              |
|            |             |             | Increase fiscal 2007 transfers from Dedicated Purpose Fund to energy assistance program – <b>DLS recommends language</b>  |           | 14,500,000  |           |              |              |
|            |             |             | Additional funds in fiscal 2007 and 2008 for fatherhood programs  |           |             | 2,683,009 |              |              |
| HHR        | 16          | 47-48       | <b>DHR – Family Investment/Child Welfare</b><br>Fiscal 2007 deficiency transfers general funds of \$8 million from Child Welfare to Family Investment to substitute for federal dollars that are not available and adds \$8 million of federal funds to Child Welfare | -         |             | -         |              |              |
| HHR        | 16-17       | 49-50       | <b>DHR – Child Support Enforcement</b><br>Additional funds in fiscal 2007 and 2008 to assist incarcerated fathers in meeting obligations  |           |             | 602,439   |              |              |
| EED        | 17          | 51-52       | <b>MSDE</b><br>Add Cigarette Restitution Funds for administration of nonpublic schools textbook program   |           | 90,000      |           |              |              |
| EED        | 18-21       | 53-62       | <b>University System of Maryland</b><br>Fiscal 2007 deficiencies recognizing availability of additional revenues for various institutions and the system office   |           |             |           | \$42,801,627 | \$24,569,786 |

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|------------|-------------|-------------|--|-------------|------------|-----------|------------|------------|
| EED        | 21          | 63          | <b>Maryland Higher Education Commission</b><br>Federal grant for GEAR-UP program   |             |            | 1,200,000 |            |            |
| Full       | 21          | 64          | <b>Public Debt</b><br>Recognize the availability of additional bond premium to fund debt service   | -14,150,879 | 14,150,879 |           |            |            |
| HHR        | 22          |             | <b>Amendment No. 1 – DHMH Administration</b><br>Clarifies that legislation will include a fee increase   |             |            |           |            |            |
| HHR        | 22          |             | <b>Amendment No. 2 – DHMH Medical Care Programs Administration</b><br>Permits use of \$5.5 million of Medicaid deficiency for shortfall in Maryland Children's Health Program – <b>DLS recommends technical change</b> |             |            |           |            |            |
| PSA        | 22          |             | <b>Amendment No. 3 – Archives</b><br>Changes the salary of archivist from \$110,534 to \$118,272 – <b>DLS recommends a technical change</b>  |             |            |           |            |            |

**G20J**  
**State Retirement Agency**

**Supplemental Budget No 1.**

|  | <u>Amount<br/>Reduction</u> |    | <u>Position<br/>Reduction</u> |
|--|-----------------------------|----|-------------------------------|
| <p>1. Delete funding for 10 contractual conversions approved by the Board of Public Works. The agency converted 13 contractual positions into 10 regular positions under the authority of budget bill language that allows the Board of Public Works to approve contractual conversions at the rate of 1 regular position for every 1.25 contractual positions. However, the language states explicitly that agency funds cannot increase in the current budget year or the subsequent two years as a result of such conversions. The agency is not entitled to funding for these positions until fiscal 2010.</p> | \$40,615                    | SF |                               |
| <p>2. Delete 2.0 regular positions in the investment division. The Board of Public Works added 2 positions to the agency's investment division under the Rule of 50. The investment division has been without a chief investment officer (CIO) for over a year. It is imprudent to add positions to a division that lacks leadership and could undergo significant changes in the coming year. The agency should wait to request new positions until a CIO is hired and can conduct a comprehensive assessment of the investment division's staffing needs.</p>  | \$162,431                   | SF | 2.0                           |

**N00C**  
**Adult and Community Services**  
**Department of Human Resources**

Add the following language to the supplemental budget:

, provided that no funds may be expended until the Department of Human Resources has exhausted all eligible federal Low-Income Home Energy Assistance Program and Universal Services Benefit Program funding available for energy assistance in fiscal 2007.

**Description:** The supplemental budget provides a fiscal 2007 deficiency appropriation for the Department of Human Resources (DHR) energy assistance programs in the amount of \$14.5 million by withdrawing \$10 million in special funds from the fiscal 2008 allowance. According to DHR projections, the energy assistance programs will need \$14.5 million in special funds from the Dedicated Purpose Account for the remainder of fiscal 2007. The withdrawal funds from the fiscal 2008 appropriation will cause a 20% decrease in funding for energy assistance in fiscal 2008, while at the same time ratepayers will be experiencing significant rate increases. This language provides DHR access to the \$14.5 million in special funds only after the department has exhausted all other fund sources.

## Technical Changes to Amendments

### Amendment No. 2

Amend the following language:

On page 148, line ~~25~~ 24, after the word Appropriation insert “, provided that \$5,500,000 of this appropriation may be transferred to M00Q01.07.”

**Explanation:** The amendment corrects an error in the placement of the language in the budget bill.

### Amendment No. 3

Amend the following language:

On page 176, line ~~46~~ 10, after the word State Archivist, strike “9906 110,534” and insert “9907 118,272”.

**Explanation:** The amendment corrects an error in the placement of the language in the budget bill.