

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE
Revised

House Bill 184 (The Speaker and Delegate Rawlings)
 (Administration)

Appropriations

The Joseph Fund

This Administration bill establishes the Joseph Fund as part of the State Reserve Fund to set aside reserves to meet the emergency needs of economically disadvantaged Marylanders, especially in times of economic downturn. The fund is to be used only to serve children in need, provide health services to individuals in need who are at or below 150% of the federal poverty level, and provide food or shelter assistance to individuals in need. Moneys from the fund are not to be considered the only source of funds to meet the emergency needs of economically disadvantaged Marylanders. The fund consists of (1) funds appropriated in the State budget; (2) investment earnings; and (3) moneys obtained from any governmental or private source. For fiscal 2002 and subsequent years, the Governor is authorized to include in the State budget an appropriation to the Joseph Fund equal to the lesser of (1) 20% of the unappropriated surplus at the end of the fiscal year two years prior to the fiscal year for which the appropriation is proposed; or (2) \$5 million. For fiscal 2001, the Governor is authorized to include an appropriation equal to the lesser of (1) 40% of the unappropriated surplus at the end of fiscal 1999; or (2) \$10 million. The bill also establishes a 13-member Joseph Fund Board to advise the Governor on the management of the fund. The Department of Human Resources (DHR) is to provide staff support to the board. The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: Potential FY 2001 accrual of \$5.2 million general funds to the Joseph Fund. The amount of fund accrual each year will vary with State expenditures, reversions, and tax revenues, up to a maximum of \$5 million per year in FY 2002 and subsequent years. Indeterminate effect on expenditures during times of economic downturn. General fund administrative expenditures increase by \$25,300 in FY 2000. Future year expenditures increase with annualization and inflation.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	-	-	-	-	-
GF Expenditures	\$25,300	\$27,700	\$28,600	\$29,600	\$30,700
Net Effect	(\$25,300)	(\$27,700)	(\$28,600)	(\$29,600)	(\$30,700)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Indeterminate effect on expenditures and revenues during times of economic downturn.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Fiscal Analysis

Bill Summary: Expenditures from the fund may be included in the State budget subject to appropriation by the General Assembly or made by budget amendment only after the proposed budget amendment has been submitted to the budget committees of the General Assembly. The Joseph Fund is prohibited from being used to supplant existing public and private expenditures, unless the Department of Labor, Licensing, and Regulation (DLLR) certifies that the unemployment rate has increased for three consecutive months. The bill prohibits any money from being spent from the fund until the fund balance has reached \$15 million. The Governor may authorize expenditures in a fiscal year of up to 25% of the fund's investment earnings from the preceding fiscal year. However, if DLLR certifies that the unemployment rate has increased for three consecutive months, the Governor may authorize spending up to 100% of the fund's investment earnings from the preceding fiscal year and 40% of the remaining fund balance.

The board is to report to the Governor and General Assembly before September 1 of each year on the financial status of the fund.

State Effect: It is not possible to reliably predict the amount of unappropriated general fund balance at the end of a given fiscal year. However, the general fund balance was \$420 million at the end of fiscal 1998 and is expected to be \$274 million at the end of fiscal 1999. Of the \$420 million general fund balance at the end of fiscal 1998, approximately \$117 million was unappropriated. Currently the fiscal 1999 unappropriated fund balance is expected to be \$13 million, although that amount could change by the end of the fiscal year. Therefore, \$5.2 million could potentially accrue to the Joseph Fund in fiscal 2001, assuming a fund balance of \$13 million. The amount of funds accruing to the Joseph Fund would vary with each year's State expenditures, reversions, and tax revenues, up to a maximum of \$5 million per year in fiscal 2002 and subsequent years.

State expenditures could be affected during times of economic downturn to the extent that Joseph Fund moneys are used to serve the children in need, provide health services to individuals in need who are at or below 150% of the federal poverty level, or provide food or shelter assistance to individuals in need. It is not possible at this time to reliably predict the

fund's effect on State expenditures.

General fund expenditures could increase by an estimated \$25,322 in fiscal 2000, which accounts for a 90-day start-up delay and assumes that the board starts performing its functions in fiscal 2000. This estimate reflects the cost of a half-time program administrator in DHR to oversee administrative duties related to staffing the Joseph Fund Board. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Joseph Fund Board members would be reimbursed for expenses under the standard State travel regulations. Any such expenditures would depend upon the time, location, and frequency of the task force's meetings. Expenses are assumed to be minimal and able to be handled with existing resources of the entities represented on the task force.

Local Effect: Local expenditures could be affected during times of economic downturn to the extent that Joseph Fund moneys are used to serve children in need, provide health services to individuals in need who are at or below 150% of the federal poverty level, or provide food or shelter assistance to individuals in need. It is not possible at this time to reliably predict the fund's effect on local expenditures.

Information Source(s): Department of Human Resources (Community Services Administration); Office for Children, Youth, and Families; Department of Health and Mental Hygiene (Community and Public Health Administration); Comptroller of the Treasury; State Treasurer's Office; Department of Legislative Services

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