

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 424
Appropriations

(The Speaker) (Administration)

The Budget Reconciliation Act of 2002

This bill makes various transfers from State special funds and nonbudgeted funds to the general fund and makes various changes to statutory funding requirements to implement the budget for fiscal 2003.

The bill takes effect June 1, 2002.

Fiscal Summary

State Effect: \$238.7 million is transferred to the general fund in FY 2002 (of which \$168.7 million is special funds and \$70 million is nonbudgeted funds). \$152.9 million is transferred to the general fund in FY 2003 (of which \$102.7 million is special funds and \$50.2 million is nonbudgeted funds). In addition, statutory funding requirements are altered in the bill to reduce general fund appropriations by \$237.5 million in FY 2002 (due to general fund PAYGO cancellations) and by \$128.6 million in FY 2003 due to various changes to mandatory funding provisions. Revenues are increased by \$167.5 million in FY 2003 due to tax law changes. Expenditures increase for required repayment of transfers beginning in FY 2004.

(in millions)	2002	2003	2004	2005	2006
Transfers to GF	\$238.7	\$152.9			
Income Tax Freeze		167.5	114.9	118.1	121.6
GF Expenditure Actions	(237.5)	(128.6)	(2.5)	(2.5)	(2.5)
G.O. Bonds		237.5			
State Debt Service		6.5	19.6	23.7	23.7
Transfer Repayments*			10.0	10.0	16.6

*In addition to required repayments, some transfers will increase unfunded liability balances which would increase future repayments to reduce the unfunded liabilities.

Local Effect: Program Open Space grants to local governments are reduced by \$15 million in FY 2002 and \$9.8 million in FY 2003. Property tax revenues to local governments are increased by \$51.2 million in FY 2003, offset by grant reductions of \$30.6 million, for a net revenue increase of \$21.0 million. Aid to community colleges is reduced by \$15.4 million. To the extent that the transfers from other programs result in reduced local grants, local revenues will decline accordingly.

Small Business Effect: Minimal.

Analysis

Bill Summary: The provisions of each fund transfer and other action in the bill are individually discussed in the **Appendix**. The provisions are summarized in **Exhibits 1 and 2**.

Current Law: Current law for each item is discussed in the Appendix.

State Fiscal Effect: The total decreases in expenditures and increases in revenues in fiscal 2002 and fiscal 2003 are summarized in Exhibits 1 and 2. Individual fiscal impacts are discussed in the Appendix.

Additional Information

Prior Introductions: None.

Cross File: SB 323 (The President)(Administration) – Budget and Taxation.

Information Source(s): Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2002
ncs/jr

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Exhibit 1
Summary of Provisions of Budget Reconciliation Act
(\$ in millions)

			From:	
	<u>Agency</u>	<u>Transfers to GF</u>	<u>Special Fund</u>	<u>Nonbudgeted</u>
Balance Transfers - FY 2002				
Maryland Automobile Insurance Fund	MAIF	70.0	--	(70.0)
DPF – Woodrow Wilson Bridge/ Addison Road Metro	DPF-MDOT	69.9	(69.9)	--
Program Open Space unexpended balances	DNR	30.0	(30.0)	--
Department of Business and Economic Development capital	DBED	23.0	(23.0)	--
Department of Housing and Community Development capital	DHCD	11.0	(11.0)	--
State Self-Insurance Fund (Treasurer)	Treasurer	11.0	(11.0)	--
Waterway Improvement Fund	DNR	8.0	(8.0)	--
911 Emergency Number Fund	DPSCS	5.0	(5.0)	--
Health Services Cost Review Commission Uncompensated Care	DHMH	2.9	(2.9)	--
Insurance Regulation Fund	MIA	2.0	(2.0)	--
State Use Industries	DPSCS	2.0	(2.0)	--
Used Tire Cleanup Fund	MDE	1.0	(1.0)	--
DHMH Boards and Commissions (includes Board of Nursing)	DHMH	0.7	(0.7)	--
Small Business Pollution Control Fund	MDE	0.6	(0.6)	--
Foreign Vehicle Registration Fund	State Police	0.5	(0.5)	--
Lead Poisoning Prevention Fund	MDE	0.5	(0.5)	--
Universal Service Trust Fund	DBM	0.3	(0.3)	--
Central Collection Unit (DBM)	DBM	0.2	(0.2)	--
Health Services Cost Review Commission Administration Fund	DHMH	<u>0.1</u>	<u>(0.1)</u>	<u>--</u>
Subtotal		238.7	(168.7)	(70.0)
Balance Transfers - FY 2003				
Dedicated Purpose Fund –welfare reserve	DPF	50.0	(50.0)	--
Injured workers' insurance reserve	IWIF	32.2	--	(32.2)
Transfer tax revenues over estimates	DNR	26.8	(26.8)	--
Maryland Transportation Authority	MdTA	18.0	--	(18.0)
University System of Maryland	USM	16.6	(16.6)	--
Emergency Medical System	EMS	5.0	(5.0)	--
Racing Facility Redevelopment Bond Fund	DLLR	3.7	(3.7)	--
Foreign Vehicle Registration Fund	State Police	0.4	(0.4)	--
Central Collection Unit	DBM	<u>0.2</u>	<u>(0.2)</u>	<u>--</u>
Subtotal		152.9	(102.7)	(50.2)
Balance Transfer Repayment				
MAIF – FY 2004 - 2008				\$50.0

Exhibit 2
Other (Non-transfer) BRA Actions
(\$ in millions)

	<u>Agency</u>	<u>GF Action</u>
Other BRA Actions - FY 2002		
GF PAYGO capital projects converted to GO Bonds	BPW	237.5
Other BRA Actions - FY 2003		
Expenditures:		
Contribution to the retirement systems	N/A	65.3
Aid to Community Colleges	MHEC	15.4
Private Donation Incentive Program	MHEC	6.6
Baltimore City Community College	BCCC	5.0
Aid to Nonpublic Institutions of Higher Education	MHEC	3.2
Tourism Board	DBED	2.5
Property Tax - Utility Grant	Locals	<u>30.6</u>
Subtotal		\$128.6
Revenues:		
Income tax phase-in freeze	N/A	167.5
Subtotal – FY 2003		\$296.1

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Budget Reconciliation Act (SB 323/HB 424)
Analysis by Action
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Budget Reconciliation Act Fund Balance Analysis

Maryland Automobile Insurance Fund - Insured Division

Agency: Maryland Automobile Insurance Fund

Purpose: The insured division pays auto insurance claims for individuals insured by MAIF, the State's insurer of last resort.

	FYs 2004 – 2008		
<u>Item</u>	<u>Calendar 2001</u>	<u>Calendar 2002</u>	<u>Prepayment</u>
Starting Balance	\$152,374,980	\$126,350,314	N/A
Revenues	112,715,803	188,600,000	N/A
Interest	17,864,652	12,200,000	N/A
Other	(11,404,079)	70,000	N/A
Expenditures	145,201,042	218,985,000	NA
BRA transfer	--	50,000,000	N/A
Ending Balance	\$126,350,314	\$58,235,314	N/A
Future Repayments			\$50,000,000

Does transfer have to be repaid in future budgets: Yes

Comments: With the transfer, MAIF would need to increase the premium rates of its policy holders by approximately \$50 per policy to compensate for lost interest income on its surplus. In addition, the fund's balance could drop below the assessment threshold, at which point all insurers would be assessed an amount sufficient to return the fund to the threshold level. Insurers would pass along the cost of this assessment to their policy holders.

Budget Reconciliation Act Fund Balance Analysis

Maryland Automobile Insurance Fund - Uninsured Division

Agency: Maryland Automobile Insurance Fund

Purpose: The uninsured motorist division provides funds for Maryland residents who are involved in accidents in Maryland with uninsured motorists and "hit and run" drivers.

<u>Item</u>	<u>Calendar 2001</u>	<u>Calendar 2002</u>
Starting Balance	\$24,983,564	\$26,179,557
Revenues	--	--
Interest	1,640,054	1,800,000
Other	2,411,983	1,250,000
Expenditures	2,856,044	3,282,000
BRA transfer	--	20,000,000
Ending Balance	\$26,179,557	\$5,947,557

Does transfer have to be repaid in future budgets: No

Comments: The uninsured motorist fund formerly received revenues from penalties charged by the Motor Vehicle Administration. Chapter 568 of 2001 shifted these revenues from MAIF's uninsured fund to the Transportation Trust Fund through FY 2008. The fund would have approximately \$5.9 million after the transfer, making it is doubtful that the fund would be sustainable until the fee revenues begin to be deposited in the fund again in calendar 2007.

Budget Reconciliation Act Fund Balance Analysis

State Reserve Fund, Dedicated Purpose Fund

Agency: Dedicated Purpose Fund

Purpose: A total of \$95 million was appropriated to the Dedicated Purpose Fund in FY 2001 and 2002 toward the cost of the Woodrow Wilson Bridge and the Addison Road Metro extension. \$25.1 million was spent by MDOT in FY 2001.

<u>Item</u>	<u>Fiscal 2002</u>
Starting Balance	\$24,854,673
Revenues	45,000,000
Interest	--
Expenditures	--
BRA transfer	69,854,673
From FY 2001	24,854,673
From FY 2002	45,000,000
Ending Balance	- -

Does transfer have to be repaid in future budgets: No

Comments: The transfer of \$69.9 million to the general fund will require the Maryland Department of Transportation to assume a greater share of the Wilson Bridge and Addison Road projects through the Transportation Trust Fund. In response, MDOT plans to defer over \$100 million in other projects to later years. In its forecast MDOT assumes that future general fund support will be provided in 2004 and 2005. If the expected \$195 million is not transferred this could impact other transportation projects or require other means of financing.

Budget Reconciliation Act Action Analysis

Program Open Space

Agency: Department of Natural Resources

Purpose: The program expedites acquisition of outdoor recreation and open space areas and accelerates development and capital renewal of outdoor recreation activities.

<u>Item</u>	<u>Fiscal 2002</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$30,000,000
DLS Estimate	30,000,000
Discrepancy	--
State Share	15,000,000
Local Share	15,000,000

Does transfer/action have to be repaid in future budgets: No

Comments: DBM plans to transfer \$15 million in State POS funds and \$15 million in Local POS funds to the general fund. As of October, the State had \$67.3 million in unencumbered POS balances. The reduction would leave \$52.3 million in unencumbered State POS balances. As of December, the counties had \$81.8 million in unencumbered local POS balances. The reduction would leave \$66.8 million in unencumbered local POS balances.

Budget Reconciliation Act Fund Balance Analysis

Smart Growth Economic Development Infrastructure Fund (“One Maryland”)

Agency: Department of Business and Economic Development

Purpose: The fund provides grants, loans and equity investments to qualified distressed jurisdictions or to the Maryland Economic Development Corporation.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$10,586,000	\$70,000
Revenues	7,734,000	10,177,000
Interest	--	--
Expenditures	16,250,000	10,200,000
BRA transfer	2,000,000	--
Ending Balance	\$70,000	\$47,000

Does transfer have to be repaid in future budgets: No

Comments: A small fund balance would remain at the end of FYs 2002 and 2003.

Budget Reconciliation Act Fund Balance Analysis

Maryland Economic Development Assistance Authority Fund (MEDAAF)

Agency: Department of Business and Economic Development

Purpose: The fund provides below-market long-term fixed rate financing to specific growth-industry sector businesses locating or expanding operations in a priority funding area.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$27,021,000	\$13,141,000
Revenues	27,156,000	21,773,000
Interest	--	--
Expenditures	32,536,000	31,464,000
BRA transfer	8,500,000	--
Ending Balance	\$13,141,000	\$3,450,000

Does transfer have to be repaid in future budgets: No

Comments: DLS believes that the ending FY 2002 fund balance will be higher than anticipated by DBM based upon the pipeline of activity for the program.

Budget Reconciliation Act Fund Balance Analysis

Economic Development Opportunities Program (“Sunny Day”) Fund

Agency: Department of Business and Economic Development

Purpose: This program offers grants, loans, or conditional grants subject to performance requirements based on expected job creation and private investments. It is designed to allow the State to take advantage of extraordinary economic development opportunities.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$13,810,000	\$1,533,000
Revenues	15,248,000	6,174,000
Interest	--	--
Expenditures	20,025,000	7,103,000
BRA transfer	7,500,000	--
Ending Balance	\$1,533,000	\$604,000

Does transfer have to be repaid in future budgets: No

Comments: DLS believes that DBM’s estimated FY 2002 encumbrance level will not be reached. For instance, the Legislative Policy Committee has only approved \$2.0 million in transactions at its June and December 2001 meetings combined.

Budget Reconciliation Act Fund Balance Analysis

Maryland Industrial Development Financing Authority Fund (MIDFA)

Agency: Department of Business and Economic Development

Purpose: The fund provides financing support to manufacturing, industrial, and technology businesses located in, or moving to, Maryland.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$45,307,000	\$33,660,000
Revenues	2,261,000	1,792,000
Interest	--	--
Expenditures	8,908,000	3,094,000
BRA transfer	5,000,000	--
Ending Balance	\$33,660,000	\$32,358,000

Does transfer have to be repaid in future budgets: No

Comments: Although a significant balance would remain in the fund after the proposed \$5.0 million transfer, because it is a guarantee program a balance is required in order to maintain a leverage ratio within banking standards. The proposed transfer would not move the leverage ratio above the 5:1 ratio required.

Budget Reconciliation Act Fund Balance Analysis

DHCD Special Loans Program

Agency: Department of Housing and Community Development

Purpose: The program provides preferred interest rate loans to low and moderate income families, sponsors of rental properties occupied primarily by limited income families, and nonprofit sponsors of housing facilities.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$1,011,000	\$333,000
Revenues	5,957,000	7,648,000
Interest	5,751,000	5,880,000
Other	(505,000)	--
Expenditures	10,881,000	13,861,000
BRA transfer	1,000,000	--
Ending Balance	\$333,000	--

Does transfer have to be repaid in future budgets: No

Comments: The transfer would deplete the fund by the close of FY 2003 based upon projected encumbrance levels and a \$505,000 transfer to the Home Ownership Program.

Budget Reconciliation Act Fund Balance Analysis

Neighborhood Business Development Fund

Agency: Department of Housing and Community Development

Purpose: The program funds community-based economic development activities in revitalization areas designated by local governments.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$2,975,000	\$1,616,000
Revenues	4,903,000	4,644,000
Interest	2,833,000	2,967,000
Other	256,000	256,000
Expenditures	6,851,000	9,350,000
BRA transfer	2,500,000	--
Ending Balance	\$1,616,000	\$133,000

Does transfer have to be repaid in future budgets: No

Comments: Based upon planned encumbrances for FY 2002, the transfer would leave the fund with \$1.6 million at the close of FY 2002.

Budget Reconciliation Act Fund Balance Analysis

Home Ownership Programs Fund

Agency Department of Housing and Community Development

Purpose: The fund provides below-market interest rate mortgage loans with minimum down payments to low and moderate income families.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$1,092,000	--
Revenues	5,765,000	\$5,710,000
Interest	5,890,000	6,125,000
Expenditures	6,247,000	11,835,000
BRA transfer	6,500,000	--
Ending Balance	--	--

Does transfer have to be repaid in future budgets: No

Comments: The transfer would deplete all available funds by the close of FY 2002 based upon projected encumbrances. This also assumes a transfer of \$505,000 from the department's Special Loan Programs during FY 2002. Encumbrance activity is estimated by DBM to be \$4.4 million in FY 2002. As of January 14, 2002, total encumbrances are \$158,284.

Budget Reconciliation Act Fund Balance Analysis

Rental Housing Programs Fund

Agency: Department of Housing and Community Development

Purpose: The fund provides low-interest or deferred payment loans for rental housing developments that serve low and moderate income households.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$3,867,000	\$61,000
Revenues	10,121,000	12,360,000
Interest	6,576,000	6,682,000
Other	1,000,000	--
Expenditures	20,503,000	19,103,000
BRA transfer	1,000,000	--
Ending Balance	\$61,000	--

Does transfer have to be repaid in future budgets: No

Comments: Based on DBM's estimate of encumbrance activity during FY 2002 and 2003, rental housing programs will use all available funds by the end of FY 2003. According to DHCD the FY 2003 allowance is already spoken for because the amount of reservations for funds exceeds the program's FY 2002 capacity.

Budget Reconciliation Act Fund Balance Analysis

State Self-Insurance Trust Fund

Agency: Treasurer's Office

Purpose: The State Insurance Trust Fund is used to provide self-insurance coverage. The State pays up to \$2.5 million per incident before commercial excess coverage kicks in. State agencies are assessed in their budgets to fund the liabilities.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$28,997,625	\$9,009,859
Revenues	9,045,452	9,680,580
Interest	--	--
Expenditures	18,033,218	15,934,848
BRA transfer	11,000,000	--
Cash Ending Balance	9,009,859	2,755,591
GAAP Accrual Adjustment	(9,308,949)	(9,308,949)
Revised Ending Balance	(\$299,090)	(\$6,553,358)

Does transfer have to be repaid in future budgets: Yes

Comments: The State Treasurer's Office advises that the \$11 million reduction to SITF jeopardizes the State's ability to pay future claims. The Treasurer advises that revised projections show that with no basic changes in its loss experience and taking into consideration the catastrophic losses it currently knows of, the fund will be insolvent in FY 02. The Treasurer has indicated that the premiums it charges State agencies will increase to replenish the fund to the recommended actuarial levels. The fund balance shown above includes the \$9.3 million GAAP accrual required to pay future claims as projected by the actuary.

Budget Reconciliation Act Fund Balance Analysis

Waterway Improvement Fund

Agency: Department of Natural Resources

Purpose: The program serves the boating public by funding projects that mark channels, clear debris, build and maintain boat facilities, improve bridges that may obstruct boats, and other activities. Financial support for the fund comes primarily from the 5% excise tax on the sale of motorized vessels and .3% of eligible proceeds from Maryland's motor fuel tax.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$12,794,384	\$2,168,429
Revenues	23,000,000	23,000,000
Expenditures	25,625,955	25,394,518
BRA transfer	8,000,000	--
Ending Balance	\$2,168,429	(\$226,089)

Does transfer have to be repaid in future budgets: No

Comments: DNR plans to cancel \$4 million worth of projects. How the cancellations will be split among State and local projects has yet to be determined. The cancellations will be targeted at projects that have not made timely progress.

Budget Reconciliation Act Fund Balance Analysis

911 Trust Fund

Agency: Department of Public Safety and Correctional Services

Purpose: The trust fund, consisting of revenues from a monthly fee on each telephone service provider account of 10 cents, is used to pay for capital improvements to local 911 operating systems.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$6,917,264	(\$3,698,028)
Revenues	25,038,121	32,060,736
Interest	--	--
Expenditures	30,653,413	32,060,736
BRA transfer	5,000,000	--
Ending Balance	(\$3,698,028)	(\$3,698,028)

Does transfer have to be repaid in future budgets: No

Comments: Expenditures include \$15.8 million in grants already made in FY 2002 and another \$12.9 in grants approved (encumbered). The \$5 million transfer would need to come from encumbered grant monies.

Budget Reconciliation Act Fund Balance Analysis

Health Services Cost Review Commission - Uncompensated Care Fund

Agency: Department of Health and Mental Hygiene

Purpose: The Uncompensated Care Fund is used to finance the delivery of uncompensated care in Maryland hospitals. HSCRC currently assesses a fee of 0.75% on a hospital's gross operating revenue. These funds are distributed to hospitals whose uncompensated care rate exceeds 8.75%. In 2002, nine hospitals are expected to receive payments from the Uncompensated Care Fund.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$9,756,358	\$5,695,945
Revenues	47,945,967	48,000,000
Interest	180,288	--
Expenditures	49,286,668	48,500,000
BRA transfer	2,900,000	--
Ending Balance	\$5,695,945	\$5,195,945

Does transfer have to be repaid in future budgets: No

Comments: Interest in FY 2002 is for July - November 2001 only. Fund attempts to keep a two-month reserve on hand for unexpected costs. Revenues derived from fee of 0.75% of net patient revenues for all acute care hospitals in State.

Budget Reconciliation Act Fund Balance Analysis

Insurance Regulation Fund

Agency: Maryland Insurance Administration

Purpose: The fund, consisting of licensing fees, examination fees, fraud fees, and a regulatory assessment fee, is used to support the Maryland Insurance Administration.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$5,443,884	\$1,767,468
Revenues	19,717,146	17,854,423
Interest	--	--
Expenditures	21,393,562	19,621,891
BRA transfer	2,000,000	--
Ending Balance	\$1,767,468	--

Does transfer have to be repaid in future budgets: No

Comments: By statute any fund balance attributable to the regulatory assessment must be returned to the insurance companies through a lower assessment fee in the following year. The Office of Legislative Audits has identified \$4.4 million in the fund balance as attributable to the assessment fee. MIA has approved budget amendments for computer system enhancements and expenses related to the CareFirst conversion of \$1.7 million, which would reduce this excess to \$2.7 million. The transfer is intended by the Administration to reflect \$1 million of the \$2.7 million balance attributable to the assessment fee and \$1 million of licensing fees in July 1999 inadvertently put in the Insurance Regulation Fund instead of the general fund. Under statute the \$2.7 million should be used to reduce the assessment fee for FY 2003. After the transfer only \$1.7 million will be available for fee reduction.

Budget Reconciliation Act Fund Balance Analysis

State Use Industries

Agency: Department of Public Safety and Correctional Services

Purpose: The program provides work experience and rehabilitation for inmates. Its goods and services are available to governmental agencies and certain nonprofit businesses.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$21,772,136	\$21,023,136
Revenues	41,741,000	40,336,000
Interest	--	--
Expenditures	40,490,000	39,130,000
BRA transfer	2,000,000	--
Ending Balance	\$21,023,136	\$22,229,136

Does transfer have to be repaid in future budgets: No

Comments: SUI is operated as a financially self-sufficient entity for which revenues must meet or exceed expenses. The large fund balance is an accumulation of the excess of revenues over expenses.

Budget Reconciliation Act Fund Balance Analysis

Used Tire Cleanup and Recycling Fund

Agency: Maryland Department of the Environment

Purpose: The program funds cleanup and recycling of used tires across the State. A 40 cent surcharge is applied to tires sold in the State to fund the program.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$6,243,743	\$1,926,604
Revenues	1,700,000	2,100,000
Expenditures	5,017,139	4,957,459
BRA transfer	1,000,000	--
Ending Balance	\$1,926,604	(\$930,855)

Does transfer have to be repaid in future budgets: No

Comments: The transfer would require the cancellation of approximately \$1 million of tire cleanup/recycling projects.

Budget Reconciliation Act Fund Balance Analysis

Board of Chiropractic Examiners Fund

Agency: Department of Health and Mental Hygiene

Purpose: The fund, consisting of various licensing fees, supports the activities of the State Board of Chiropractic Examiners.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$59,328	\$122,730
Revenues	565,000	660,000
Interest	--	--
Expenditures	486,584	565,015
BRA transfer	15,014	--
Ending Balance	\$122,730	\$217,715

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 25% of the appropriation for boards with a budget of \$ 250,000 to \$1,000,000. The balance at the end of 6/30/02 meets this requirement. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech Language Pathologists

Agency: Department of Health and Mental Hygiene

Purpose: The fund, consisting of various licensing fees, is used to support the activities of the board.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$209,857	\$273,141
Revenues	345,850	65,000
Interest	--	--
Expenditures	256,391	273,607
BRA transfer	26,175	--
Ending Balance	\$273,141	\$64,534

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 25% of the appropriation for boards with a budget of \$ 250,000 to \$1,000,000. The balance at the end of FY 2002 meets this requirement (25% would be \$64,098), but the balance at end of FY 2003 does not meet this requirement. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Board of Examiners in Optometry Fund

Agency: Department of Health and Mental Hygiene

Purpose: The fund, consisting of various licensing fees is used to support the activities of the State Board of Examiners in Optometry.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$290,018	\$63,752
Revenues	47,400	390,600
Interest	--	--
Expenditures	224,406	225,680
BRA transfer	49,260	--
Ending Balance	\$63,752	\$228,672

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 30% of the appropriation for boards with a budget of less than \$ 250,000. The balance at the end of 6/30/02 does not meet this requirement. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Board of Examiners for Psychologists Fund

Agency: Department of Health and Mental Hygiene

Purpose: The fund, consisting of various licensing fees, is used to support the activities of the State Board of Examiners of Psychologists.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$141,908	\$154,609
Revenues	561,250	467,650
Interest	--	--
Expenditures	510,239	506,582
BRA transfer	38,310	--
Ending Balance	154,609	115,677

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 25% of the appropriation for boards with a budget of \$ 250,000 to \$1,000,000. The balance at the end of FY 2002 meets this requirement, however, the balance at end of FY 2003 does not meet the requirement. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Board of Physical Therapy Examiners Fund

Agency: Department of Health and Mental Hygiene

Purpose: The fund, consisting of various licensing fees, supports the activities of the State Board of Physical Therapy Examiners.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$314,887	\$144,504
Revenues	450,000	808,975
Interest	--	--
Expenditures	599,159	682,741
BRA transfer	21,224	--
Ending Balance	\$144,504	\$270,738

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 25% of the appropriation for boards with a budget of \$ 250,000 to \$1,000,000. The balance at the end of FY 2002 does not meet this requirement. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Board of Professional Counselors and Therapists Fund

Agency: Department of Health and Mental Hygiene

Purpose: The fund supports the activities of the State Board of Professional Counselors and Therapists. It consists of various licensing and certification fees for professional counselors and therapists.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$95,732	\$102,697
Revenues	375,000	477,500
Interest	--	--
Expenditures	278,706	346,053
BRA transfer	89,329	--
Ending Balance	\$102,697	\$234,144

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 25% of the appropriation for boards with a budget of \$ 250,000 to \$1,000,000. The balance at the end of FY 2002 meets this requirement. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Board of Nursing Fund

Agency: Department of Health and Mental Hygiene

Purpose: The fund, consisting of various licensing fees, is used to support the activities of the Board of Nursing.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$539,663	\$821,803
Revenues	4,643,876	4,455,876
Interest	--	--
Expenditures	3,961,736	4,559,006
BRA transfer	400,000	--
Ending Balance	\$821,803	\$718,673

Does transfer have to be repaid in future budgets: No

Comments: DHMH recommendation for board funding is 20% of the appropriation for boards with a budget over \$1,000,000. The balance at the end of FY 2002 meets this requirement, but the balance at the end of FY 2003 does not. DHMH Recommendations are in report prepared 12/1/98 pursuant to 1998 JCR.

Budget Reconciliation Act Fund Balance Analysis

Kidney Disease Fund

Agency: Department of Health and Mental Hygiene

Purpose: The Kidney Disease Commission sets physical and medical standards for the operation of dialysis and renal transplantation centers in Maryland. The commission certifies facilities that perform dialysis and transplantation. Annual fees range from \$693 - \$1,500 based on the number of patients served.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$225,152	\$88,696
Revenues	65,952	117,645
Interest	--	--
Expenditures	141,720	190,383
BRA transfer	60,688	--
Ending Balance	\$88,696	\$15,958

Does transfer have to be repaid in future budgets: No

The BRA transfer significantly reduces the commission's ending balance for FY 2003, meaning increased fees will be required to replenish it. Health boards and commissions are advised to maintain a 20% to 30% fund cushion over projected expenditures.

Budget Reconciliation Act Fund Balance Analysis

Small Business Pollution Compliance Fund

Agency: Maryland Department of the Environment

Purpose: The program provides loans to owners of small businesses to finance eligible costs of upgrading and replacing capital equipment to comply with air emission standards.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$832,169	\$17,169
Revenues	--	--
Expenditures	215,000	350,000
BRA transfer	600,000	--
Ending Balance	\$17,169	(\$332,831)

Does transfer have to be repaid in future budgets: No

Comments: While appropriated \$215,000 for FY 2002, program activity is anticipated to be only \$80,000. The BRA effectively eliminates this program.

Budget Reconciliation Act Fund Balance Analysis

Foreign Vehicle Registration Enforcement Fund

Agency: Department of State Police

Purpose: The fund's purpose is to increase State motor vehicle registration compliance through programs of public education and enhanced enforcement. Revenues are from uninsured motorist penalties collected by the MVA.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$436,924	\$283,214
Revenues	400,000	400,000
Interest	--	--
Expenditures		
BRA transfer	553,710	400,000
Ending Balance	\$283,214	(\$283,214)

Does transfer have to be repaid in future budgets: No

Comments: The response from local law enforcement agencies has been less than anticipated. The State Police reports that the increased security profile since September 11, 2001 and increased overtime has reduced the opportunities to participate in this program. DBM advises that it will propose a technical amendment to the BRA to change the amount of transfer from this fund. The fund is slated to sunset at the end of FY 2003.

Budget Reconciliation Act Fund Balance Analysis

Lead Poisoning Prevention Fund

Agency: Maryland Department of the Environment

Purpose: The fund covers the costs of implementing lead poisoning prevention programs. Responsibilities include: maintaining rental property registration database, inspecting residences for lead compliance, and coordinating outreach activities. Property owners included in the database are charged \$10, which is used to fund the programs.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$3,024,816	\$1,536,802
Revenues	700,000	700,000
Expenditures	1,688,014	1,764,335
BRA transfer	500,000	--
Ending Balance	\$1,536,802	\$472,467

Does transfer have to be repaid in future budgets: No

Comments: Statute requires MDE to expend \$750,000 of the fund for outreach activities that are usually completed by grants to local governments. In FY 2004 MDE's lead program will be under funded as the special fund revenues are not expected to increase.

Budget Reconciliation Act Fund Balance Analysis

Universal Services Trust Fund

Agency: Department of Budget and Management

Purpose: The fund supports three activities: relay services; equipment for eligible individuals (e.g., TTY equipment); and outreach.

<u>Item</u>	<u>Fiscal 2002</u>
Starting Balance	\$2,473,239
Revenues	5,478,729
Interest	--
Expenditures	7,618,379
BRA transfer	300,000
Ending Balance	\$33,589

Does transfer have to be repaid in future budgets: No

Comments: The fund is supported by a monthly surcharge on each telephone line (\$0.20). Each year, USTF has to submit to PSC an estimate of activity and the surcharge is adjusted accordingly. Revenues vary according to the base upon which it is raised. The State is currently developing a new RFP for FY 2003 and based upon the scope of work anticipated in the RFP, the surcharge will be appropriately adjusted and revenues will be derived accordingly.

Budget Reconciliation Act Fund Balance Analysis

Central Collection Unit

Agency: Department of Budget and Management

Purpose: The unit collects debt owed to the State.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$2,007,509	\$2,161,555
Revenues	5,245,377	6,708,479
Interest	--	--
Expenditures	4,941,331	6,404,433
BRA transfer	150,000	150,000
Ending Balance	\$2,161,555	\$2,315,601

Does transfer have to be repaid in future budgets: No

Comments: The ending balances are used as a non-budgeted reserve, which are transferred in to cover operating expenditures when collections are insufficient.

Budget Reconciliation Act Fund Balance Analysis

Health Services Cost Review Commission - User Fees

Agency: Department of Health and Mental Hygiene

Purpose: HSCRC is the hospital rate-setting authority in Maryland. User fees are assessed on hospitals to fund the ongoing operating expenses of HSCRC. The current user fee cap is \$4 million annually.

	<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance		\$1,304,161	\$689,106
	Revenues	3,210,297	3,161,643
	Interest	16,945	--
	Expenditures	3,742,297	3,361,643
	BRA transfer	100,000	--
Ending Balance		\$689,106	\$489,106

Does transfer have to be repaid in future budgets: No

Comments: Interest in FY 2002 is for July - November 2001 only. User fees are derived from hospitals for which the HSCRC sets rates.

Budget Reconciliation Act Action Analysis

Information Technology Investment Fund

Agency: Department of Budget and Management

Purpose: The program funds State government information technology projects that are not otherwise supported in the State budget.

Fiscal Impact

Fiscal 2002

DBM Estimate of BRA Action	Indeterminate
DLS Estimate	Indeterminate
Discrepancy	

Does transfer/action have to be repaid in future budgets: No

Comments: This section provides that any unspent and unencumbered funds in the Office of Information Technology be transferred to the Information Technology Investment Fund (ITIF). The ITIF supports various information technology spending. Funds are likely to be available as the legislature agreed to the creation of a \$5 million project oversight office in FY 2002. However, the new Chief Information Officer was not appointed until late November 2001, and the oversight office is only slowly taking shape. At this time, it is unclear how much will be available.

Budget Reconciliation Act Fund Balance Analysis

Dedicated Purpose Fund for Family Investment Program

Agency: Dedicated Purpose Fund

Purpose: The program was established to finance increases in welfare costs associated with a recession.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$72,800,000	\$50,700,000
Revenues	9,600,000	--
Interest	--	--
Negative Deficiency Appropriation	9,600,000	--
Expenditures	22,100,000	--
BRA transfer	--	50,000,000
Ending Balance	\$50,700,000	\$700,000

Does transfer have to be repaid in future budgets: No

Comments: The Dedicated Purpose Fund for the Family Investment Program was established to finance increases in welfare costs associated with a recession. Maryland's welfare caseload has not increased in recent months despite a sluggish economy. As a result, the Governor has proposed transferring all but \$700,000 of the fund balance to the general fund. This additional reserve may be needed, however, given the volatility of the welfare caseload and the possibility that Maryland's share (\$229.1 million) of the federal Temporary Assistance for Needy Families Block Grant (TANF) will be reduced when Congress considers reauthorization later this year. Transferring funds to the general fund rather than spending them directly on services for low-income families may also draw criticism from Congress on the grounds that Maryland accumulated a fund balance by supplanting general fund costs with TANF dollars but then failed to spend the dollars on TANF families.

Budget Reconciliation Act Fund Balance Analysis

Injured Workers' Insurance Fund

Agency: Injured Workers' Insurance Fund

Purpose: This account is the State's reserve toward the liability for State employees workers compensation. The State self-insures for workers' compensation and IWIF administers the compensation structure. IWIF charges State agencies, via the budget process, workers' compensation "premiums" (based on liability experience) to fund these liabilities.

<u>Item</u>		<u>Fiscal 2003</u>	
	<u>Liability</u>	<u>Reserve Fund</u>	<u>Unfunded Liability</u>
Beginning Balance	\$194,000,000	\$105,000,000	\$89,000,000
Increase	12,000,000	42,200,000	--
Interest	--	--	--
BRA transfer	--	32,200,000	--
Ending Balance	\$206,000,000	\$115,000,000	\$91,000,000

Does transfer have to be repaid in future budgets: No

Comments: The estimate of workers' compensation liability does not exactly agree with DBM estimated amounts. DLS liability figures estimated by the IWIF actuary. The State has been committed to paying \$20 million per year towards the unfounded liability. The transfer will either extend the time period or increase future annual payments needed to eliminate the unfounded liability.

Budget Reconciliation Act Action Analysis

Transfer Tax - Retention of first \$26,800,000 for general fund

Agency: Department of Natural Resources

Purpose: Transfer tax revenues are special funds dedicated to various DNR activities.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$26,800,000
DLS Estimate	\$26,800,000
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: Crediting the first \$26.8 million to the general fund instead of special funds will cause reductions in the following program revenues. While DBM's supporting analysis indicates that \$15.6 million of the \$26.8 million will be recognized in FY 2002, the language of the BRA provides for a FY 2003 transfer of \$26.8 million. DLS estimates that of the \$26.8 million reduction, \$9.8 million is attributable to local grants and the remainder to State grants.

GF	DNR administration expense reimbursement	(\$804,000)
SF	Program Open Space	(21,096,000)
SF	Agricultural Land Preservation	(4,432,000)
SF	Heritage Conservation	<u>(468,000)</u>
Total		(\$26,800,000)

Budget Reconciliation Act Action Analysis

Maryland Transportation Authority

Agency: Maryland Transportation Authority

Purpose: The authority finances, constructs, operates, and maintains the State's toll facilities and finances other transportation related improvements at statewide transportation facilities.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$18,000,000
DLS Estimate	\$18,000,000
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: During the 2001 session, the General Assembly approved transfers of \$43 million from the MdTA to MDOT each year from FY 2003 to FY 2006 to support the 2001 transit initiative. Under the BRA, in FY 2003, \$25 million will be transferred by the MdTA to the TTF for this purpose and the remaining \$18 million will be transferred to the general fund.

Budget Reconciliation Act Fund Balance Analysis

University System of Maryland

Agency: University System of Maryland

Purpose: The USM fund balance allows the system access to “indirect debt” through public/private partnerships, lower interest rates on debt, and lower issuance costs. It also allows the institutions to “save” for particular purposes, respond to unanticipated emergencies, and bridge gaps in funding capital projects between payment for the project and receipt of gift proceeds or appropriations received over a period of time.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$274,173,701	\$272,006,452
Revenues	2,063,533,795	2,158,702,208
Interest	16,983,221	16,961,109
Expenditures	2,082,684,265	2,169,005,045
BRA transfer	--	16,600,000
Ending Balance	\$272,006,452	\$262,064,724

Does transfer have to be repaid in future budgets: No

Comments: It is unclear how responsibility for the transfer will be apportioned among institutions, but the current proposal is to base it on the 2002 unrestricted operating budget. This means that some institutions are required to contribute more than they have in State-supported fund balance; current operating funds or auxiliary fund balance will absorb the difference. Also, according to USM, the growth of the fund balance is critical to its access to “indirect debt” through public/private partnerships, lower interest rates on debt, and lower issuance costs.

Budget Reconciliation Act Fund Balance Analysis

Emergency Medical System Operations Fund

Agency: Emergency Medical System

Purpose: The fund is used solely for medically oriented functions, specifically emergency medical services. Revenues for the fund are from an \$11 vehicle registration fee, which was raised from \$8 in FY 2002.

<u>Item</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Starting Balance	\$2,442,192	\$5,065,342
Revenues	48,593,933	49,565,811
Interest	91,582	189,950
Other	39,772	--
Expenditures	46,102,137	46,924,113
BRA transfer	--	5,000,000
Ending Balance	\$5,065,342	\$2,896,990

Does transfer have to be repaid in future budgets: No.

Comments: The \$2.0 million final FY 2002 payment for the 12th State Police Helicopter is delayed until FY 2007 under this scenario. Also, note that \$3.5 million to the Shock Trauma Center (UMMS) for equipment and technology ends in FY 2005, while in last year's analysis the \$3.5 million was extended past FY 2008. Further, while last year's analysis included increases to the Amoss Fund, this year's projections continues a flat rate. Finally, revenues from the motor vehicle registration fund contain larger projections than in FY 2002.

Budget Reconciliation Act Fund Balance Analysis

Racing Facility Redevelopment Bond Fund

Agency: Department of Labor, Licensing, and Regulation

Purpose: The fund, consisting of proceeds from additional takeout allocations and uncashed parimutual tickets, is used to support the interest and principal payment on bonds issued to support redevelopment of racetrack facilities.

<u>Item</u>	<u>Fiscal 2003</u>
Starting Balance	\$5,000,000
Revenues	\$1,950,000
Interest	--
Expenditures	--
BRA transfer	3,700,000
Ending Balance	\$3,250,000

Does transfer have to be repaid in future budgets: No

Comments: No racetrack redevelopment bonds have been issued to date.

Budget Reconciliation Act Action Analysis

General Fund PAYGO Reversions

Agency: Board of Public Works

Purpose: These items are general fund PAYGO projects from FY 1999 through FY 2002 that had not yet been expended.

<u>Item</u>	<u>Fiscal 2002</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$237,483,000
DLS Estimate	\$237,483,000
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: Of the \$277.8 million planned for reversion as part of the Governor's budget package, \$237,483,000 is proposed to be replaced with general obligation bond funds. This leaves \$40,363,750 in reversions that will not be replaced with bond funds. Most of the items not being replaced with bond funding are in the economic development and housing areas where tax exempt debt financing cannot be used.

Budget Reconciliation Act Action Analysis

Pension Contributions to the State Retirement and Pension System

Agency: Statewide

Purpose: State law requires that the State pension system be funded by an appropriation equal to the product of State payroll times the actuarially certified contribution rates for each pension subsystem.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$65,069,912
DLS Estimate	\$65,275,205
Discrepancy	(\$205,293)

Does transfer/action have to be repaid in future budgets: Yes

Comments: BRA sets limits on pension contributions at \$531 million based on DBM's estimate of savings from applying lower contribution rates to State employees and "flat-funding" teacher contributions. This amount is estimated to be \$76 million less than expected under the current actuarial methodology, of which \$65 million is estimated to be general funds. Not funding the full cost required under the current actuarial methodology will result in additional expenditures in future years.

Budget Reconciliation Act Action Analysis

Community College Aid Formula (Excluding BCCC)

Agency: Maryland Higher Education Commission

Purpose: The aid formula (Cade formula) is the primary source for State aid to community colleges.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$15,388,418
DLS Estimate	\$15,388,418
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: The BRA would reduce the FY 2003 allowance for community colleges by \$15.4 million, from \$174.9 million to \$159.5 million, a 8.8% decrease. The BRA would limit the community colleges to a 4.0% increase over their FY 2002 working appropriation. If the BRA was not imposed, community college funding would have increased by 14.0%. The BRA reductions are unevenly distributed among community colleges, with the reductions ranging from 5.1% for Harford Community College to 13.5% for Carroll Community College. Since each community college's funding increase for FY 2003 is limited to 4%, community colleges with higher enrollment growth are penalized more than community colleges with slower enrollment growth.

Budget Reconciliation Act Action Analysis

Private Donation Incentive Grants

Agency: Maryland Higher Education Commission

Purpose: The grants provide State matching funds for private donations to community colleges and public institutions of higher education.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$6,569,760
DLS Estimate	\$6,569,760
Discrepancy	--

Does transfer/action have to be repaid in future budgets: Yes

Comments: This action defers until FY 2004 the payment of an existing obligation of the State. In fact, the State owed \$4.3 million to institutions through this program last year, but the allowance did not include the necessary funding. Because the payments are intended as an incentive for private donations to public institutions, deferring payment again may defeat the purpose of the program.

Budget Reconciliation Act Action Analysis

Baltimore City Community College

Agency: Baltimore City Community College

Purpose: BCCC is a State agency with a budgeted appropriation.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$5,006,514
DLS Estimate	\$5,006,514
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: The BRA would reduce the FY 2003 allowance for the Baltimore City Community College by \$5 million, from \$35.9 million to \$30.9 million, a 13.9% decrease. The BRA would limit the community college's funding to a 4.0% increase over the FY 2002 working appropriation. If the BRA was not imposed, the community college's funding would have increased by \$6.2 million or 20.8%.

Budget Reconciliation Act Action Analysis

“Sellinger” Aid to Nonpublic Institutions

Agency: Maryland Higher Education Commission

Purpose: The program provides State aid to nonpublic institutions of higher education in Maryland.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$3,195,383
DLS Estimate	\$3,195,383
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: The BRA would allow each institution's allocation of Sellinger aid to increase by 4%, regardless of enrollment changes. MICUA recommends that whatever aid is provided should be allocated based on enrollment. This would change the institution allocations listed in the bill but would not change the total impact of the provision.

Budget Reconciliation Act Action Analysis

Maryland Tourism Development Board

Agency: Department of Business and Economic Development

Purpose: Promotes tourism development through marketing and promotional activities.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$2,500,000
DLS Estimate	\$2,500,000
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: This is a general fund program though unspent funds revolve to the next year. The program's FY 2003 allowance includes a \$2.5 million contingent reduction based on the \$2.5 million BRA reversion.

Budget Reconciliation Act Action Analysis

Property tax, 100% value, tax year 7/1/02 (utility grants)

Agency: Payments to Civil Divisions

Purpose: This transfer changes certain aspects of the 1999 utility deregulation. Specifically, it eliminates the utility 50% personal property tax exemption and eliminates the State general fund grant to the counties that was designed to compensate them for the loss in personal property tax.

<u>Item</u>	<u>Fiscal 2003</u>
Fiscal Impact	
DBM Estimate of BRA Action	\$30,615,201
DLS Estimate	30,615,201
Discrepancy	--

Does transfer/action have to be repaid in future budgets: No

Comments: As a compensation for not providing the specified grants to the counties, the bill re-subjects the utilities to 100% taxation on personal property. They had been provided a 50% exemption during the de-regulation. The affected counties property tax revenues will change as follows:

	<u>FY 03</u> <u>Tax Revenue*</u>	<u>Grant Amount</u>	<u>FY 04</u> <u>Education Aid</u>	<u>Net Increase/</u> <u>Decrease in</u> <u>Revenue</u>
Allegany#	\$0	\$0	\$70,146	\$70,146
Anne Arundel	9,148,978	7,820,202	(673,654)	655,122
Baltimore City	665,427	453,421	618,281	830,287
Baltimore County	1,985,970	1,794,835	782,487	973,622
Calvert	7,315,837	6,096,574	(1,181,690)	37,573
Caroline			34,471	34,471
Carroll			219,335	219,335
Cecil			114,230	114,230
Charles	13,755,399	2,522,612	(2,041,993)	9,190,794
Dorchester	94,134	187,442	16,982	(76,326)
Frederick			303,611	303,611
Garrett	37,437	11,907	34,699	60,229
Harford	1,444,664	860,767	97,247	681,144
Howard			504,421	504,421
Kent			27,982	27,982
Montgomery	3,648,775	2,765,553	1,314,021	2,197,243
Prince George'	13,523,836	7,744,806	(853,912)	4,925,118
Queen Anne's			69,173	69,173
St. Mary's			117,532	117,532
Somerset	5,956	0	19,308	25,264
Talbot			73,145	73,145
Washington**	226,274	357,082	129,915	(893)
Wicomico			97,747	97,747
Worcester			110,174	110,174
Total	\$51,852,687	\$30,615,201	--	\$21,033,223

* based on SDAT 1/1/01 assessment values

Assumes that Allegany County continues to provide either an exemption or credit.

**includes \$1.00 tax rate for the Town of Williamsports.

Budget Reconciliation Act Action Analysis

**State Income Tax Rate and Amount that May Be Deducted for Exemptions
Shall Remain at December 31,2001 Levels**

Agency: N/A

Purpose: Effective January 1, 2002, the top marginal income tax rate decreased to 4.75% and the personal exemption amount increased to \$2,400. This is the final phase-in of the income tax cut enacted in 1997. The bill would retroactively freeze the rates at the TY 2001 levels.

Fiscal Impact

Fiscal 2003

DBM Estimate of BRA Action	\$177,400,000
DLS Estimate	\$167,500,000
Discrepancy	\$9,900,000

Does transfer/action have to be repaid in future budgets: No

Comments: Income tax rates and personal exemption amounts remain at tax year 2001 levels. FY 2003 impact reflects all of tax year 2002 and one half of tax year 2003. Assumes this change remains until at least January 2004. DLS estimate reflects December 2001 Board of Revenue Estimates (BRE) projections.

Budget Reconciliation Act Action Analysis

County Income Tax

Agency: N/A

Purpose: The county income tax is calculated as a percentage of Maryland's adjusted gross income. Keeping personal exemption amounts at TY 2001 levels, as proposed in the BRA, would result in increased county revenues absent this adjustment.

	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Fiscal Impact	N/A	N/A

Does transfer/action have to be repaid in future budgets: No

Comments: BRA provides a credit against the county income tax equal to the lesser of \$300 multiplied by the county income tax rate or the county income tax. This adjustment is made in order prevent counties from receiving additional revenues which would result from keeping State personal exemption amount at tax year 2001 levels.