

# SENATE BILL 1

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CF 8lr0263

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By: **The President (By Request – Administration)**

Introduced and read first time: October 29, 2007

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Budget Reconciliation Act**

3 FOR the purpose of repealing certain provisions relating to certain State aid to certain  
4 counties; altering the calculation of certain State aid for public elementary and  
5 secondary education; establishing a supplemental grant program to provide  
6 certain county boards of education with certain grants; altering the calculation  
7 of certain State aid to community colleges, Baltimore City Community College,  
8 and certain nonpublic institutions of higher education; repealing a partial  
9 exemption under the property tax for machinery and equipment used to  
10 generate electricity or steam for sale or hot or chilled water for sale that is used  
11 for certain purposes; providing that certain transfer tax revenues in a certain  
12 special fund shall be used for certain purposes; providing that the Governor in  
13 formulating a certain fiscal year budget shall apply certain monies in a certain  
14 fund for a certain purpose; repealing an obsolete provision of law; making  
15 certain provisions of this Act subject to certain contingencies; providing for the  
16 application of certain provisions of this Act; providing for the effective date of  
17 this Act; and generally relating to the financing of State and local government.

18 BY repealing

19 Article 24 – Political Subdivisions – Miscellaneous Provisions  
20 Section 9–1102  
21 Annotated Code of Maryland  
22 (2005 Replacement Volume and 2007 Supplement)

23 BY repealing and reenacting, with amendments,

24 Article 24 – Political Subdivisions – Miscellaneous Provisions  
25 Section 9–1103(a)  
26 Annotated Code of Maryland  
27 (2005 Replacement Volume and 2007 Supplement)

28 BY repealing and reenacting, with amendments,

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Education  
 2 Section 5–202(a)(13), 16–305(c)(1)(ii), 16–512(a)(2), and 17–104(d)  
 3 Annotated Code of Maryland  
 4 (2006 Replacement Volume and 2007 Supplement)

5 BY repealing  
 6 Article – Education  
 7 Section 5–202(e)  
 8 Annotated Code of Maryland  
 9 (2006 Replacement Volume and 2007 Supplement)

10 BY adding to  
 11 Article – Education  
 12 Section 5–202(e)  
 13 Annotated Code of Maryland  
 14 (2006 Replacement Volume and 2007 Supplement)

15 BY repealing  
 16 Article – Tax – Property  
 17 Section 7–237  
 18 Annotated Code of Maryland  
 19 (2007 Replacement Volume)

20 BY repealing and reenacting, without amendments,  
 21 Article – Natural Resources  
 22 Section 5–903(a)  
 23 Annotated Code of Maryland  
 24 (2005 Replacement Volume and 2007 Supplement)

25 BY repealing and reenacting, with amendments,  
 26 Article – Natural Resources  
 27 Section 5–903(b)  
 28 Annotated Code of Maryland  
 29 (2005 Replacement Volume and 2007 Supplement)

30 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 31 MARYLAND, That the Laws of Maryland read as follows:

32 **Article 24 – Political Subdivisions – Miscellaneous Provisions**

33 [9–1102.

34 (a) Except as provided in subsection (b) of this section, for each fiscal year,  
 35 the State shall pay the following amounts to the following counties to reimburse the  
 36 counties partially for the costs of the property tax exemption under § 7–237 of the Tax  
 37 – Property Article:

38 Anne Arundel

\$ 7,820,202

|    |                 |           |
|----|-----------------|-----------|
| 1  | Baltimore City  | 453,421   |
| 2  | Baltimore       | 1,794,835 |
| 3  | Calvert         | 6,096,574 |
| 4  | Charles         | 2,522,612 |
| 5  | Dorchester      | 187,442   |
| 6  | Garrett         | 11,907    |
| 7  | Harford         | 860,767   |
| 8  | Montgomery      | 2,765,553 |
| 9  | Prince George's | 7,744,806 |
| 10 | Washington      | 357,082   |

11 (b) For the fiscal year that begins on July 1, 2000, the State shall pay 50% of  
 12 the amounts specified in subsection (a) of this section.

13 (c) The Comptroller shall pay the amounts provided under this section to the  
 14 counties in equal amounts for each quarter at the end of each quarter of the fiscal year  
 15 for which the payments are made.

16 (d) 35% of the payment received by Washington County under this section  
 17 shall be paid to the Town of Williamsport.]

18 9-1103.

19 (a) [In addition to any reimbursement provided under § 9-1102 of this  
 20 subtitle, if] **IF** on or before January 1, 2020, the Federal Nuclear Regulatory  
 21 Commission license for the Calvert Cliffs Nuclear Power Plant expires and is not  
 22 extended or renewed, for each of the 5 property tax years following the expiration and  
 23 nonrenewal, the State shall pay as a grant to Calvert County an amount equal to the  
 24 applicable percentage, determined under subsection (b) of this section, of the  
 25 difference between:

26 (1) The product of multiplying \$14,554,000 times the percentage  
 27 specified for the taxable year under § 7-237(b) of the Tax – Property Article; and

28 (2) The sum of:

29 (i) \$2,000,000; and

30 (ii) The county's property tax revenue for the taxable year  
 31 derived from personal property that is machinery or equipment used to generate  
 32 electricity for sale.

33 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
 34 read as follows:

35 **Article – Education**

1 5-202.

2 (a) (13) "Target per pupil foundation amount" means:

3 (i) In fiscal [year 2004, \$5,730] **YEARS 2008, 2009, AND 2010,**  
4 **\$6,694;** and

5 (ii) In subsequent fiscal years:

6 1. The target per pupil foundation amount for the prior  
7 fiscal year increased by the same percentage as the increase in the [implicit price  
8 deflator for State and local government expenditures for the second prior fiscal year]  
9 **CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE**  
10 **WASHINGTON-BALTIMORE METROPOLITAN AREA, OR ANY SUCCESSOR INDEX,**  
11 **FOR THE SECOND PREVIOUS FISCAL YEAR;** or

12 2. If there is no increase in the [implicit price deflator  
13 for State and local government expenditures for the second prior fiscal year]  
14 **CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE**  
15 **WASHINGTON-BALTIMORE METROPOLITAN AREA, OR ANY SUCCESSOR INDEX,**  
16 **FOR THE SECOND PREVIOUS FISCAL YEAR,** the target per pupil foundation amount  
17 for the prior fiscal year.

18 [(e) (1) In fiscal year 2004, the State shall distribute a partnership grant  
19 of \$28,186,032 to the Baltimore City Board of School Commissioners.

20 (2) In fiscal year 2005, the State shall distribute a partnership grant  
21 of \$21,139,524 to the Baltimore City Board of School Commissioners.

22 (3) In fiscal year 2006, the State shall distribute a partnership grant  
23 of \$14,093,016 to the Baltimore City Board of School Commissioners.]

24 **(E) (1) IN THIS SUBSECTION, "STATE FINANCIAL ASSISTANCE FOR**  
25 **PUBLIC EDUCATION" MEANS THE TOTAL FINANCIAL ASSISTANCE PROVIDED BY**  
26 **THE STATE TO A COUNTY BOARD UNDER THE FOLLOWING PROGRAMS:**

27 **(I) FUNDING FOR THE FOUNDATION PROGRAM UNDER THIS**  
28 **SECTION;**

29 **(II) FUNDING RECEIVED UNDER THE GCEI ADJUSTMENT**  
30 **GRANT PROGRAM UNDER SUBSECTION (F) OF THIS SECTION;**

31 **(III) TRANSPORTATION AID UNDER § 5-205 OF THIS**  
32 **SUBTITLE;**

1 (IV) FUNDING FOR COMPENSATORY EDUCATION UNDER  
2 § 5-207 OF THIS SUBTITLE;

3 (V) FUNDING FOR STUDENTS WITH LIMITED ENGLISH  
4 PROFICIENCY UNDER § 5-208 OF THIS SUBTITLE;

5 (VI) FUNDING FOR SPECIAL EDUCATION STUDENTS UNDER §  
6 5-209 OF THIS SUBTITLE;

7 (VII) FUNDING FOR THE GUARANTEED TAX BASE PROGRAM  
8 UNDER § 5-210 OF THIS SUBTITLE;

9 (VIII) STATE PAYMENTS FOR RETIREMENT CONTRIBUTIONS  
10 FOR EMPLOYEES OF A LOCAL SCHOOL SYSTEM IN ACCORDANCE WITH THE  
11 PROVISIONS OF DIVISION II OF THE STATE PERSONNEL AND PENSIONS  
12 ARTICLE; AND

13 (IX) FUNDING FOR SUPPLEMENTAL GRANTS UNDER THIS  
14 SUBSECTION.

15 (2) (I) FOR FISCAL YEARS 2009 AND 2010 ONLY, THE STATE  
16 SHALL PROVIDE A SUPPLEMENTAL GRANT TO A COUNTY BOARD THAT DOES  
17 NOT RECEIVE AT LEAST A 1% INCREASE IN STATE FINANCIAL ASSISTANCE FOR  
18 PUBLIC EDUCATION OVER THE AMOUNT RECEIVED BY THE COUNTY BOARD IN  
19 THE PREVIOUS FISCAL YEAR.

20 (II) THE SUPPLEMENTAL GRANT UNDER THIS PARAGRAPH  
21 SHALL BE THE AMOUNT NECESSARY TO INCREASE A COUNTY BOARD'S STATE  
22 FINANCIAL ASSISTANCE FOR PUBLIC EDUCATION BY 1% OVER THE AMOUNT  
23 RECEIVED BY THE COUNTY BOARD IN THE PREVIOUS FISCAL YEAR.

24 (3) FOR FISCAL YEAR 2011 AND EACH FISCAL YEAR THEREAFTER,  
25 A COUNTY BOARD SHALL RECEIVE A SUPPLEMENTAL GRANT EQUAL TO THE  
26 AMOUNT THE COUNTY BOARD RECEIVED UNDER PARAGRAPH (2) OF THIS  
27 SUBSECTION IN FISCAL YEAR 2010.

28 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
29 read as follows:

30 **Article - Education**

31 16-305.

1 (c) (1) (ii) For purposes of this subsection, the State's General Fund  
 2 appropriation per full-time equivalent student to the 4-year public institutions of  
 3 higher education in the State for the previous fiscal year shall:

4 **1. INCLUDE NONCAPITAL APPROPRIATIONS FROM**  
 5 **THE HIGHER EDUCATION INVESTMENT FUND; AND**

6 **2. [reflect] REFLECT** any amendments or reductions to  
 7 the appropriation for the previous fiscal year.

8 16-512.

9 (a) (2) For purposes of this subsection, the State's General Fund  
 10 appropriation per full-time equivalent student to the 4-year public institutions of  
 11 higher education in the State for the previous fiscal year shall:

12 **(I) INCLUDE NONCAPITAL APPROPRIATIONS FROM THE**  
 13 **HIGHER EDUCATION INVESTMENT FUND; AND**

14 **(II) [reflect] REFLECT** any amendments or reductions to the  
 15 appropriation for the previous fiscal year.

16 17-104.

17 (d) For purposes of this section, the State's General Fund appropriation per  
 18 full-time equivalent student to the 4-year public institutions of higher education in  
 19 the State for the previous fiscal year shall:

20 **(1) INCLUDE NONCAPITAL APPROPRIATIONS FROM THE HIGHER**  
 21 **EDUCATION INVESTMENT FUND; AND**

22 **(2) [reflect] REFLECT** any amendments or reductions to the  
 23 appropriation for the previous fiscal year.

24 SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
 25 read as follows:

26 **Article - Tax - Property**

27 [7-237.

28 (a) Except as provided in subsection (b) of this section, personal property is  
 29 exempt from property tax if the property is machinery or equipment used to generate:

30 (1) electricity or steam for sale; or

1 (2) hot or chilled water for sale that is used to heat or cool a building.

2 (b) Personal property that is machinery or equipment described in subsection  
3 (a) of this section is subject to county or municipal corporation property tax on:

4 (1) 75% of its value for the taxable year beginning July 1, 2000; and

5 (2) 50% of its value for the taxable year beginning July 1, 2001 and  
6 each subsequent taxable year.]

7 SECTION 5. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
8 read as follows:

9 **Article – Natural Resources**

10 5–903.

11 (a) (1) Of the funds distributed to Program Open Space under § 13–209 of  
12 the Tax – Property Article, up to \$3,000,000 may be transferred by an appropriation in  
13 the State budget, or by an amendment to the State budget under Title 7, Subtitle 2 of  
14 the State Finance and Procurement Article, to the Maryland Heritage Areas Authority  
15 Financing Fund established under Title 13, Subtitle 11 of the Financial Institutions  
16 Article to be used for the purposes provided in that subtitle.

17 (2) (i) Of the remaining funds not appropriated under paragraph  
18 (1) of this subsection, one half of the funds shall be used for recreation and open space  
19 purposes by the Department and the Historic St. Mary’s City Commission. Except as  
20 otherwise provided in this section, any funds the General Assembly appropriates to  
21 the State under this subsection shall be used only for land acquisition projects.

22 (ii) At least \$1,500,000 of the State’s share of funds available  
23 under this program shall be utilized to make grants to Baltimore City for projects  
24 which meet park purposes. The grants shall be in addition to any funds Baltimore City  
25 is eligible to receive under subsection (b) of this section, and may be used for  
26 acquisition or development. In order for Baltimore City to be eligible for a State grant,  
27 the Department shall review projects or land to be acquired within Baltimore City,  
28 and upon the Department’s recommendation, the Board of Public Works may approve  
29 projects and land including the cost. Title to the land shall be in the name of the  
30 Mayor and City Council of Baltimore City. The State is not responsible for costs  
31 involved in the development or maintenance of the land.

32 (iii) 1. A portion of the State’s share of funds available under  
33 this Program not to exceed the amounts specified below may be transferred by an  
34 appropriation in the State budget to the Rural Legacy Program under Subtitle 9A of  
35 this title:

36 A. In fiscal year 1998, \$4 million;

- 1 B. In fiscal year 1999, \$5 million;
- 2 C. In fiscal year 2000, \$6 million;
- 3 D. In fiscal year 2001, \$7 million; and
- 4 E. In fiscal year 2002 and each fiscal year thereafter, \$8  
5 million.

6 2. In each fiscal year, up to \$2 million of the funds  
7 transferred under this subparagraph to the Rural Legacy Program may be used to  
8 purchase zero coupon bonds for easements.

9 3. Sums allocated to the Rural Legacy Program may not  
10 revert to the General Fund of the State.

11 (b) Of the remaining funds not appropriated under subsection (a)(1) of this  
12 section, the General Assembly shall appropriate the other half of the funds **AS**  
13 **FOLLOWS:**

14 (1) **\$21,000,000 TO THE FOREST AND PARK SERVICE IN THE**  
15 **DEPARTMENT TO OPERATE STATE FORESTS AND PARKS; AND**

16 (2) **THE REMAINDER** to assist local governing bodies in acquisition  
17 and development of land for recreation and open space purposes.

18 SECTION 6. AND BE IT FURTHER ENACTED, That in formulating the fiscal  
19 year 2009 budget, the Governor shall apply any funds in the State Employees and  
20 Retirees Health and Welfare Benefits Fund estimated to be in excess of the amount  
21 necessary to fund the benefit in fiscal year 2008 toward funding health insurance costs  
22 of employees and retirees in fiscal year 2009 so as to reduce the cost to the General  
23 Fund of providing the benefit by at least \$82,000,000.

24 SECTION 7. AND BE IT FURTHER ENACTED, That Sections 1 and 5 of this  
25 Act shall be applicable to fiscal year 2009 and each fiscal year thereafter.

26 SECTION 8. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall  
27 be applicable to all taxable years beginning after June 30, 2008.

28 SECTION 9. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall  
29 take effect contingent on the taking effect of legislation passed during the Special  
30 Session of 2007 establishing a Higher Education Investment Fund, and if legislation  
31 establishing a Higher Education Investment Fund does not become effective, Section 3  
32 of this Act shall be null and void without the necessity of further action by the General  
33 Assembly.



1           SECTION 10. AND BE IT FURTHER ENACTED, That Section 5 of this Act  
2 shall take effect contingent on the taking effect of legislation passed during the Special  
3 Session of 2007 that imposes recordation and transfer taxes on the transfer of  
4 controlling interest in an entity that owns interests in real property in Maryland, and  
5 if legislation that imposes recordation and transfer taxes on the transfer of controlling  
6 interest in an entity that owns interests in real property in Maryland does not become  
7 effective, Section 5 of this Act shall be null and void without the necessity of further  
8 action by the General Assembly.

9           SECTION 11. AND BE IT FURTHER ENACTED, That, subject to Sections 7  
10 through 10 of this Act, this Act shall take effect January 1, 2008.