Department of Legislative Services

Maryland General Assembly
2007 Special Session

FISCAL AND POLICY NOTE
Revised

House Bill 1 (The Speaker)(By Request – Administration)

Appropriations and Ways and Means Budget and Taxation

Budget Reconciliation Act

This Administration bill adjusts State funding commitments and declares that it is the intent of the General Assembly that the Governor make general fund reductions of at least $550 million from the fiscal 2009 current services baseline budget. In implementing the required reductions, the Governor must consider proposing legislation to defer formula increases and alter funding mandates in order to slow growth in the baseline budget.

The bill takes effect January 1, 2008. Several of the bill's provisions are contingent on the enactment of provisions in other bills considered during the 2007 special session.

Fiscal Summary

State Effect: General fund expenditures would decrease by $5.0 million in FY 2008 due to position reductions. In FY 2009, identified general fund expenditure savings resulting from mandate relief and the payment of State commitments with special funds rather than general funds total an estimated $332.7 million, leaving additional reductions for the Governor to identify in order to achieve the $550.0 million reduction target. Future year general fund expenditure decreases reflect ongoing spending reductions and the compounding effect of limitations on inflation in the education aid formulas. Special fund revenues and expenditures would also be affected, as would federal fund expenditures.

($ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	$0	$0	$30.0	$30.0	$30.0
GF Expenditure	(5.0)	(337.3)	(362.6)	(405.6)	(440.9)
SF Expenditure	18.3	7.9	7.8	(3.5)	(3.5)
FF Expenditure	(1.7)	(3.3)	(3.4)	(3.5)	(3.5)
Net Effect	($11.7)	$332.7	$388.2	$442.6	$478.0

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

Local Effect: Local personal property tax revenues could increase by an estimated $15.2 million in FY 2009 if the additional taxing authority on electricity-generating facilities is used. Local school system revenues from State aid would decrease by an estimated $190.0 million in FY 2009, although the revenue loss would be partially offset by the Administration's commitment to accelerate the phase-in of funding for the geographic cost of education index formula. Beginning in FY 2009, local government revenues from Program Open Space would decrease by at least $21.0 million annually and revenues from electric utility property tax grants would decrease by $30.6 million per year. Community college revenues from State aid would increase by an estimated $11.1 million in FY 2010.

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.

Analysis

Components of the bill are analyzed individually in the following sections:

- Freezing Inflation in Education Aid Formulas
- Eliminating Electric Utility Property Tax Grants to Local Jurisdictions
- Linking Funding for Community Colleges and Private Higher Education Institutions to the Higher Education Investment Fund
- Using Program Open Space Funds to Maintain State Parks
- Altering the State's Revenue Forecasting Structure
- Reducing the Number of Executive Branch Employees
- Updating the Geographic Cost of Education Index
- Utilizing Health Insurance Fund Balance to Reduce Fiscal 2009 General Fund Costs
- Expanding the Use of the Circuit Court Real Property Records Improvement Fund
- Authorizing State Funding for Health Care Services and Facilities in Prince George's County

- Reporting State Funding Mandates

- Studying the State's Budgetary Structure and Process

The fiscal 2009 general fund impact of the bill is summarized in **Exhibit 1**. The exhibit shows that, after considering the changes to State funding commitments made by the General Assembly during the 2007 special session, the Governor will need to identify another $240.2 million in general fund savings in order to reach the goal of reducing projected spending by $550 million.

Exhibit 1
Fiscal 2009 General Fund Savings in House Bill 1
($ in Thousands)

Freezing Inflation in the Education Aid Formulas	$191,787
Eliminating Electric Utility Property Tax Grants	30,615
Using Program Open Space to Maintain Parks	16,800
New Revenue Forecasting Structure (Tax Incidence Study)	(20)
Eliminating Vacant Executive Branch Positions	10,000
Updating the Geographic Cost of Education Index (GCEI)	(100)
Using Health Insurance Fund Balance for General Fund Commitments	77,000
Expanding the Use of the Real Property Record Improvement Fund	11,200
Total HB 1 General Fund Savings	**$337,282**
Additional Savings Identified in HB 5 (Helicopter Fund)	$10,700
Acceleration of the GCEI Formula Phase-in*	(38,134)
Total Identified Savings	**$309,848**
Savings Target in HB 1	550,000
Savings to be Identified by Governor	**$240,152**

*Although it is not codified in the bill, the Administration has committed to an accelerated phase-in of the GCEI formula under the education funding plan approved by the General Assembly. This commitment will result in an estimated $38.1 million in additional general fund spending in fiscal 2009.

Estimates of the bill's fiscal 2009 net effects on local jurisdictions are shown in **Appendix A**. **Appendix B** projects the impact of the bill on State aid to local school systems from fiscal 2009 to 2012.

Additional Information

Prior Introductions: None.

Cross File: SB 1 (The President)(By Request – Administration) – Budget and Taxation.

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

Fiscal Note History:	First Reader - October 30, 2007
ncs/ljm	Revised - House Third Reader - November 16, 2007
	Revised - Enrolled Bill - December 6, 2007

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Freezing Inflation in Education Aid Formulas

The bill eliminates fiscal 2009 and 2010 inflation adjustments to the major State education aid formulas. Beginning in fiscal 2011, annual inflationary adjustments will be made to the formulas using the lesser of: (1) the increase in the Implicit Price Deflator for State and Local Government Purchases (IPD); (2) the increase in the Consumer Price Index for All Urban Consumers for the Washington-Baltimore Metropolitan Area; or (3) 5%.

The bill also establishes supplemental grants that ensure each school system at least 1% annual increases in State aid in fiscal 2009 and 2010. To determine whether a school system qualifies for a supplemental grant, 50% of the teachers' retirement payments are excluded from the calculation of State aid. In addition, 50% of the funding for the geographic cost of education index (GCEI) is excluded from the calculation in fiscal 2009 and 40% is excluded in fiscal 2010. The supplemental grants continue at the fiscal 2010 level after fiscal 2010, although the education adequacy study scheduled for 2012 must review the supplemental grants to determine whether they should continue in perpetuity.

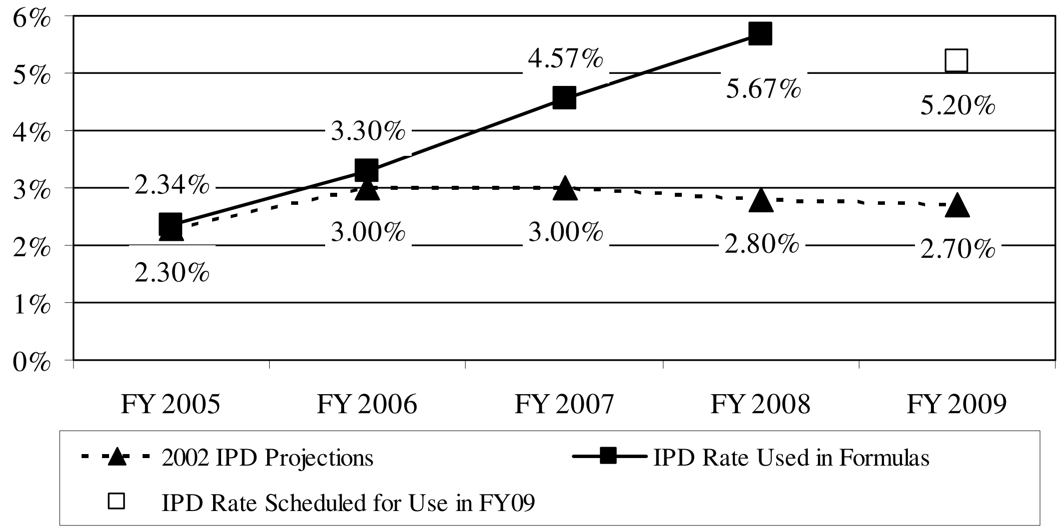
$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp	0.0	($191.8)	($310.2)	($361.4)	($397.0)

Current Law: The per pupil funding level used in most of the major State education aid programs increases each year with the change in the IPD. The formulas for the Maryland School for the Blind (MSB) and the Maryland School for the Deaf (MSD) also calculate annual appropriations using increases in the per pupil funding level.

Background: The Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) altered the State's school finance structure to align the structure with a concept of "adequate funding" developed by the Commission on Education Finance, Equity, and Excellence (Thornton Commission). The fiscal 2004 per student funding amount corresponding to the commission's adequacy estimate was established in State law and was scheduled to increase annually with changes in the IPD. The Thornton Commission had recommended using the IPD as a gauge of inflation because it is specifically designed to measure inflation in State and local government costs, whereas the Consumer Price Index (CPI) measures inflation in consumer costs.

When the Bridge to Excellence legislation was enacted in 2002, annual changes in the IPD over the next several years were expected to range from 2.3% to 3.0%. **Exhibit 2** shows, however, that the changes have been greater than expected in each of the last three fiscal years. If the inflation figures that were estimated in 2002 had been correct, fiscal 2008 State education aid would be approximately $175 million less than what is actually being spent.

Exhibit 2
Annual Changes in Implicit Price Deflator for State and Local Government Purchases



Note: The inflation rate from the second prior fiscal year is used in the formulas. For example, the 5.2% inflation rate scheduled for use in fiscal 2009 reflects the actual fiscal 2007 IPD inflation rate.

State Effect: General fund expenditures would decrease by an estimated $191.8 million in fiscal 2009. This estimate includes a $207.3 million decrease in State aid expenditures resulting from the elimination of the fiscal 2009 inflation adjustment, State aid expenditures of $17.3 million for the supplemental grants established in the bill, a $1.1 million decrease in funding for MSD, and a $699,720 decrease for MSB. Future year expenditure reductions reflect the second year of the inflation freeze in fiscal 2010 and the limits placed on the annual inflation measure beginning in fiscal 2011.

Reductions in scheduled State aid increases in fiscal 2009 and 2010 could also slow the growth of teachers' retirement costs, which are paid by the State on behalf of local school systems. The majority of funding for local school systems supports personnel costs, so slowing the growth of State aid to school systems is likely to reduce the number of new personnel hired by school systems and/or reduce growth in the salaries of existing school staff. Either of these outcomes would slow growth in the professional salary bases of local school systems and reduce future retirement costs.

State payments for the teachers' retirement program are calculated using actual school system salary bases from the second prior fiscal year. Lower State aid levels beginning in fiscal 2009, therefore, would affect teachers' retirement payments beginning in fiscal 2011. The reductions are estimated at $11.3 million in fiscal 2011 and $19.9 million in fiscal 2012.

Components of the education aid expenditure impact are shown in **Exhibit 3**. By fiscal 2012, the adjustments to State education aid would reduce general fund expenditures by an estimated $397.0 million. Direct State aid would decrease by approximately $373.9 million, retirement payments made on behalf of local school systems would decrease by an estimated $19.9 million, and funding for MSD and MSB would decrease by $3.3 million. The estimates include the Administration's original GCEI phase-in plan – 30% in fiscal 2009, 60% in fiscal 2010, and 100% beginning in fiscal 2011. The Administration has since agreed to accelerate funding for the GCEI formula to 60% in fiscal 2009 and 100% in fiscal 2010. Although it is not codified in the bill, the increased GCEI funding would offset a portion of the reductions shown in the exhibit.

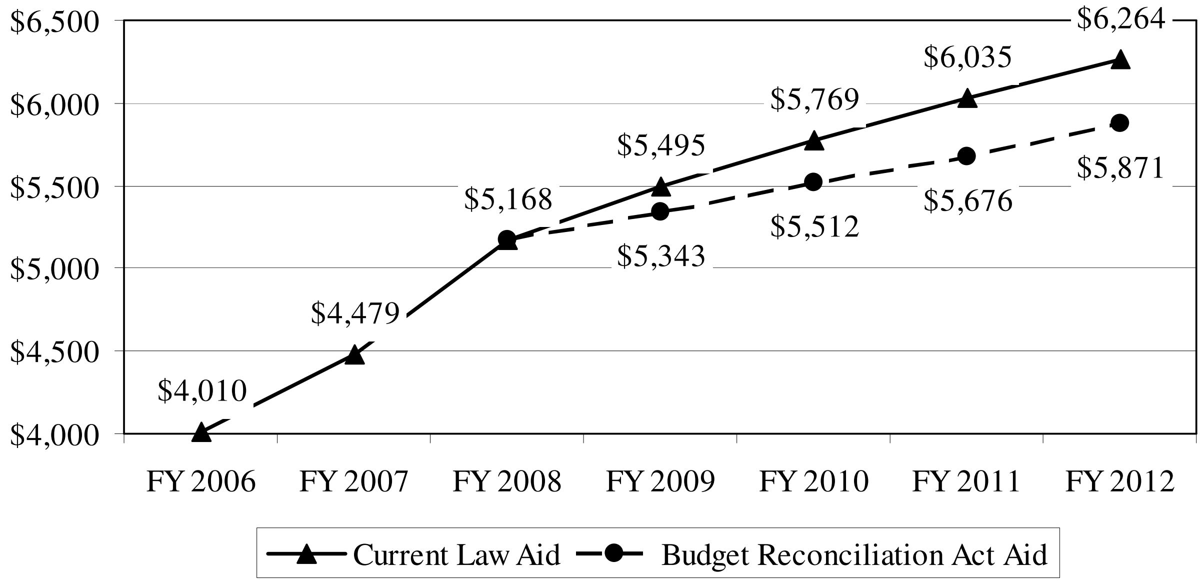
Exhibit 3
General Fund Expenditure Impact of Adjustments to State Education Aid
($ in Millions)

	FY 2009	FY 2010	FY 2011	FY 2012
Inflation Adjustments	($207.3)	($336.2)	($375.9)	($402.8)
Supplemental Grants	17.3	28.9	28.9	28.9
Direct Aid Subtotal	($190.0)	($307.3)	($347.0)	($373.9)
Teachers' Retirement Impact	0.0	0.0	(11.3)	(19.9)
State Education Aid Subtotal	($188.0)	($307.3)	($358.3)	($393.7)
Maryland School for the Deaf	(1.1)	(1.7)	(1.9)	(2.0)
Maryland School for the Blind	(0.7)	(1.1)	(1.2)	(1.3)
Total GF Expenditure Impact	**($191.8)**	**($310.2)**	**($361.4)**	**($397.0)**

Note: Although accelerated GCEI funding is not shown in the exhibit, estimates of the supplemental grants and teachers' retirement are calculated assuming a 60% phase-in of the GCEI in fiscal 2009 and 100% in successive years.

Finally, **Exhibit 4** shows the difference between current law education aid and education aid with the reductions proposed in this bill. In this exhibit, the increased GCEI formula funding that the Administration has agreed to provide is included in the estimates of Budget Reconciliation Act aid.

Exhibit 4
Projected Differences Between Current Law and Proposed State Aid Amounts
($ in Millions)



Note: Consistent with the Administration's commitments, Budget Reconciliation Act aid estimates assume funding for the GCEI at 60% in fiscal 2009 and 100% thereafter.

Local Effect: As described above, direct State aid for local school systems would decrease by an estimated $190.0 million in fiscal 2009 and an estimated $373.9 million in fiscal 2012. The total combined fiscal 2009 impact of the bill on counties, including education aid reductions as well as other provisions in the bill, is shown in **Appendix A**. The estimated effects of the bill on local school systems, including the Administration's commitment to accelerate funding for the GCEI formula, are detailed in **Appendix B**.

- **Exhibit B1** shows the estimated fiscal 2009 impact of education aid changes proposed in this bill.

- **Exhibit B2** projects the amount of direct State aid each school system would receive under the bill through fiscal 2012.

- **Exhibit B3** projects the annual increases in direct State aid each school system would receive under the bill through fiscal 2012.

- **Exhibit B4** estimates the total and per pupil direct State aid differences between school system funding levels under the bill and under current law.

Eliminating Electric Utility Property Tax Grants to Local Jurisdictions

The bill repeals a State grant designed to partially offset the loss of local revenue resulting from a statewide 50% personal property tax exemption for machinery and equipment used to generate electricity. Counties are authorized to increase the percent of the equipment and machinery that is subject to taxation to 65% in fiscal 2009. This percent decreases five percentage points per year until it returns to 50% in fiscal 2012. Counties are also authorized to enter into agreements with the owners of electricity-generating facilities for payments in lieu of taxes. The bill also allows a county to exclude property tax revenues equal to the amount the county would have received under the State grant from the calculation of the county's property tax revenues for property tax limit purposes.

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp	0.0	(30.6)	(30.6)	(30.6)	(30.6)

Current Law: Machinery and equipment used to generate electricity for sale is subject to county or municipal property tax on 50% of its value. Each fiscal year, the State provides a grant to 11 counties to partially reimburse the counties for the loss of revenue resulting from the tax exemption. The allocation of grant funds is specified in State law and is shown below.

Anne Arundel	$7,820,202
Baltimore City	453,421
Baltimore	1,794,835
Calvert	6,096,574
Charles	2,522,612
Dorchester	187,442
Garrett	11,907
Harford	860,767
Montgomery	2,765,553
Prince George's	7,744,806
Washington*	357,082
Total	**$30,615,201**

* 35% of Washington County's grant ($124,979) goes to the Town of Williamsport.

Background: Legislation enacted in 1999 restructured Maryland's electric utility tax system. As part of the legislation, a personal property tax exemption for electricity-generating equipment was phased in at 25% in fiscal 2001 and 50% in fiscal

2002 and thereafter, and State grants were provided to counties to partially offset the loss of local revenue that would result from the exemption. Numerous proposals to eliminate the State grants have been considered since 2002 but have been unsuccessful. The grants have, however, been reduced for cost containment purposes by the Board of Public Works; grants were cut by $4.4 million in fiscal 2004 and by $1.0 million in fiscal 2008.

State Effect: General fund expenditures for the electric utility property tax grants would decrease by $30.6 million annually beginning in fiscal 2009.

Local Effect: Local revenues from State aid would decrease by a total of $30.6 million for the 11 counties that currently receive State grants. If counties raise the assessment percentage on electricity-generating equipment or are successful in negotiating payments in lieu of taxes, some or all of the revenue loss would be offset. The impact of this bill on local jurisdictions is detailed in **Appendix A**.

Each year, Washington County would be required to pay the Town of Williamsport 35% of any property tax revenue received from an increase in the assessment percentage on electricity-generating equipment or a negotiated payment in lieu of taxes.

Linking Funding for Community Colleges and Private Higher Education Institutions to the Higher Education Investment Fund

The bill requires noncapital appropriations from the Higher Education Investment Fund (HEIF) to four-year public institutions of higher education to be used in the determination of the State funding level for community colleges and private institutions of higher education. This provision is contingent upon the enactment of legislation passed during the 2007 special session that establishes HEIF (Senate Bill 2/Chapter 3 of 2007 special session).

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp	0.0	0.0	16.4	13.6	14.0

Current Law: State funding for community colleges and qualifying private institutions of higher education is linked to State general fund appropriations to 10 selected public four-year institutions in the preceding fiscal year. State funding is provided to the locally operated community colleges under the Senator John A. Cade formula (Cade formula), to Baltimore City Community College (BCCC) under a separate formula, and to private institutions under the Joseph A. Sellinger formula (Sellinger formula).

Background: Senate Bill 2, as enacted establishes HEIF with a share of corporate income tax proceeds. The bill includes an increase in the corporate income tax rate from 7.0% to 8.25% but specifies that, after fiscal 2009, HEIF only receives its share of corporate income tax revenues if the General assembly determines that it is affordable and fiscally prudent and passes legislation in 2009 to make the HEIF distribution permanent. In the proposal, expenditures from HEIF may only be made in accordance with an appropriation approved by the General Assembly and may only be used to (1) supplement general fund appropriations to four-year public institutions of higher education; (2) support capital projects at the institutions; or (3) fund workforce development initiatives administered by the Maryland Higher Education Commission.

State Effect: General fund expenditures for the Cade, BCCC, and Sellinger formulas would increase by an estimated $16.4 million in fiscal 2010 and by an estimated $14.0 million in fiscal 2012. The assumptions used in calculating the estimate are stated below.

- The enactment of Senate Bill 2 triggers the link between HEIF appropriations and funding for community colleges and private higher education institutions.

- Legislation is enacted in 2009 to make the corporate income tax distribution to HEIF permanent.

- Although HEIF would begin collecting revenue in fiscal 2008, the first year of HEIF appropriations would be fiscal 2009. Projected fiscal 2008 and 2009 HEIF revenues would be appropriated by the General Assembly in the fiscal 2009 State budget, affecting expenditures for the Cade, BCCC, and Sellinger formulas in fiscal 2010.

- An estimated 25% of HEIF expenditures would be appropriated for capital projects and workforce development initiatives, leaving 75% of HEIF appropriations to supplement general fund appropriations to the University System of Maryland (USM), Morgan State University (MSU), and St. Mary's College of Maryland (St. Mary's).

- Consistent with fiscal 2008 general fund appropriations to USM, MSU, and St. Mary's, approximately 74% of HEIF supplemental funding would go to the 10 selected four-year public institutions of higher education that are used to determine funding for the Cade, BCCC, and Sellinger formulas.

HEIF expenditures for the 10 selected four-year institutions and the resulting increases in the Cade, BCCC, and Sellinger formulas are estimated in **Exhibit 5**.

Exhibit 5
Projected HEIF Appropriations and Resulting Increases for Community Colleges and Private Institutions
($ in Millions)

	FY 2009	FY 2010	FY 2011	FY 2012
Estimated HEIF Appropriations	$71.5	$58.0	$58.2	$56.9
Appropriations to Selected Four-year Institutions	39.8	32.3	32.4	31.7
Resulting Increases for …				
Cade Formula	$0.0	$11.1	$9.3	$9.6
BCCC Formula	0.0	2.2	1.8	1.9
Sellinger Formula	0.0	3.1	2.5	2.5
GF Expenditure Increase	**$0.0**	**$16.4**	**$13.6**	**$14.0**

Using Program Open Space Funds to Maintain State Parks

The bill alters the distribution of Program Open Space (POS) funds. Beginning in fiscal 2009, after the initial distribution of POS funds to the Maryland Heritage Areas Authority Financing Fund, the greater of $21.0 million or 20% of remaining POS funds must be used each year to operate State forests and parks within the Department of Natural Resources (DNR). The POS funding that is appropriated to local governments each year would be determined after this distribution. This provision is contingent on the enactment of legislation imposing recordation and transfer taxes on the transfer of controlling interest in real property in Maryland (Senate Bill 2/Chapter 3 of 2007 special session).

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp	0.0	(16.8)	(16.8)	(16.8)	(16.8)

Current Law: POS receives 75.15% of the total transfer tax revenues available for allocation, with further distribution of POS funds specified in statute. Essentially, up to $3 million from the total POS allocation passes through to the Maryland Heritage Areas Authority Financing Fund. Of the remainder, one-half must be used for recreational and open space purposes by DNR and Historic St. Mary's City Commission – this half is typically called the State share of POS funding, even though at least $1.5 million of the State share must then be distributed as a grant to Baltimore City. Another portion of the State share may be transferred to the Rural Legacy Program. The other half of total POS funding must be appropriated by the General Assembly to assist local governments in their acquisition and development of land for recreational and open space purposes.

Background: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another funds several programs in DNR and the Maryland Department of Agriculture. However, before any program-specific allocations are made, 3% is distributed to various agencies for their administration of certain programs. DNR has had statutory authority since fiscal 1997 to use a portion of the State share of POS funds for State forest and park operations. That amount has been limited to $1.2 million in all years since fiscal 1999 but one – when the Budget Reconciliation and Financing Act of 2005 increased the ceiling to $2.5 million for fiscal 2006 only.

State Effect: POS special fund expenditures of at least $21.0 million annually would be redirected from local government grants to the operation of DNR parks and forests. This would allow the State to redirect up to $21.0 million in general funds annually that would otherwise be spent for this purpose. It is assumed that savings of $16.8 million, the fiscal 2009 general fund estimate for the Park Service, would be realized annually, with the remaining $4.2 million used for enhancements to current park services.

Local Effect: The POS funding available for distribution to local governments would decrease by at least $21.0 million annually beginning in fiscal 2009. However, this impact would be offset by controlling interest transfer tax revenues collected by the counties, which are estimated at $24.1 million in fiscal 2008 and $48.2 million in fiscal 2009. The controlling interest revenues would more than offset the loss of State funds in most jurisdictions, but in seven counties the projected fiscal 2009 POS funding loss exceeds the estimated fiscal 2009 revenues that would be generated through the controlling interest legislation. The fiscal 2009 impact of the bill on each county is detailed in **Appendix A**.

Altering the State's Revenue Forecasting Structure

The bill provides that the appointment of the Chief of the Bureau of Revenue Estimates is subject to the approval of the Board of Revenue Estimates and that the chief may only be removed by a majority of the board for incompetence or other good cause. Unless the Comptroller, with the approval of the board, determines that an alternative structure is appropriate, the chief is subject to the supervision of the Deputy Comptroller with responsibility for tax administration. The chief is responsible for appointing employees of the Bureau of Revenue Estimates. By December 1, 2008, and every three years thereafter, the Bureau of Revenue Estimates must submit a tax incidence study measuring the burden of all the major taxes imposed by the State on taxpayers of different income levels.

The bill also codifies a Consensus Revenue Monitoring and Forecasting Group to review and analyze revenue attainment on a monthly basis and to collaborate with the Bureau of Revenue Estimates in the development of revenue forecasts. If the Governor, in formulating the annual State budget, uses different revenue estimates from those reported by the Board of Revenue Estimates, a statement explaining the differences must be included with the budget submission.

The bill also requires the Maryland Department of Transportation to incorporate the most recent estimates of the Board of Revenue Estimates in its financial forecast.

in dollars	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Revenues	$0	$0	$0	$0	$0
GF Exp	0	20,000	0	0	20,000

Current Law: The Comptroller appoints the Chief of the Bureau of Revenue Estimates and other bureau employees. Although the group is not codified, there is an existing workgroup that is very similar to the Consensus Revenue Monitoring and Forecasting Group proposed in the bill. The Governor is not specifically required to submit a budget using revenue estimates from the Board of Revenue Estimates.

State Effect: General fund revenues would increase by an estimated $20,000 in fiscal 2009 to contract for methodological and technical assistance with the required tax incidence study. This cost would be repeated every three years when tax incidence studies are required.

Reducing the Number of Executive Branch Employees

The bill requires the Governor to reduce the number of full-time equivalent (FTE) Executive Branch positions by 500 in order to identify fiscal 2008 general fund savings of $5.0 million. The Governor must submit a schedule of the reductions to the Board of Public Works by January 30, 2008. The FTE position reductions may not be taken from the Department of Public Safety and Correctional Services, helicopter pilots in the Department of State Police, or public higher education institutions. The bill states that it is the intent of the General Assembly that the reductions be made from vacant positions.

$ in Millions	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp	(5.0)	(10.0)	(10.2)	(10.4)	(10.6)
FF Exp	(1.7)	(3.3)	(3.4)	(3.5)	(3.5)
SF Exp	(1.7)	(3.3)	(3.4)	(3.5)	(3.5)

Current Law: With a few exceptions, the Board of Public Works has the authority to reduce the State's budget by up to 25%.

Background: Including higher education, a total of 76,980 positions are in the Executive Branch agencies. Approximately 4,443 positions were vacant as of September 2007.

State Effect: General fund expenditures would decrease by $5.0 million in fiscal 2008 and by $10.0 million in fiscal 2009. The FTE position reductions would also decrease special and federal funds by an estimated $1.7 million each in fiscal 2008. Estimates of future year expenditure reductions assume that the position eliminations would be permanent and that the cost of the eliminated positions would otherwise increase by 2% annually.

Updating the Geographic Cost of Education Index

The bill requires that the geographic cost of education index (GCEI) be updated every three years beginning in September 2009. The recalculation must use the most current available data and the same methodology used to develop the existing Maryland-specific GCEI. In each legislative session that follows an update of the GCEI, the Maryland State Department of Education (MSDE) must recommend legislation to alter the GCEI adjustments used in the GCEI formula.

in dollars	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0	$0	$0	$0	$0
GF Exp	0	100,000	0	0	100,000

Current Law: The GCEI formula is a discretionary education aid program designed to provide additional funds to local school systems where educational resources cost more than the statewide average. The GCEI adjustments used in the statutory formula are from a study mandated by the General Assembly and completed in December 2003.

Background: One of the recommendations of the Commission on Education Finance, Equity, and Excellence (Thornton Commission) was to adjust State aid to reflect regional differences in the cost of education that are outside the control of local jurisdictions. However, the commission did not believe that an acceptable index measuring these cost variations existed at the time it was completing its work. The commission recommended that MSDE contract with a private consultant to develop a Maryland-specific cost of education index to be used to adjust State aid beginning in fiscal 2005. This recommendation was codified in the Bridge to Excellence in Public Schools Act of 2002.

The consultants hired by MSDE submitted a final report entitled *Adjusting for Geographic Differences in the Cost of Educational Provision in Maryland* on December 31, 2003. The report includes a GCEI with index values that range from 0.948 in Garrett County to 1.048 in Prince George's County, with values above 1.0 representing above-average costs and values below 1.0 representing below-average costs. The index is shown in **Exhibit 6**. The GCEI formula has never been funded.

Exhibit 6
Maryland-specific Geographic Cost of Education Index

School System	GCEI Value	School System	GCEI Value
Allegany	0.959	Harford	0.992
Anne Arundel	1.018	Howard	1.015
Baltimore City	1.042	Kent	1.010
Baltimore	1.008	Montgomery	1.034
Calvert	1.021	Prince George's	1.048
Caroline	1.000	Queen Anne's	1.011
Carroll	1.014	St. Mary's	1.002
Cecil	0.989	Somerset	0.973
Charles	1.020	Talbot	0.991
Dorchester	0.978	Washington	0.974
Frederick	1.024	Wicomico	0.971
Garrett	0.948	Worcester	0.959

Source: *Adjusting for Geographic Differences in the Cost of Educational Provision in Maryland*

State Effect: General fund expenditures would increase to update the GCEI adjustments every three years. The cost of the contract to develop the existing Maryland-specific GCEI was approximately $198,000, and another $25,000 was spent on a technical review of the study. However, the bill only requires updates to the GCEI using the same methodology that was used to develop the current index. It is estimated that general fund expenditures of approximately $100,000 would be incurred in fiscal 2009 and 2012, and every three years thereafter, to contract for the required updates to the existing GCEI model.

In addition to the cost of the updates, general fund expenditures could increase or decrease depending on the results of the updates. It is assumed, however, that overall spending for the GCEI formula would not change significantly.

Local Effect: Local revenues from State aid would be impacted in accordance with the results of the recalculations. Although overall State funding for the GCEI formula might not change significantly, the distribution of funds under the formula could be altered beginning in fiscal 2011.

Utilizing Health Insurance Fund Balance to Reduce Fiscal 2009 General Fund Costs

The bill requires the Governor to utilize surplus funds available in the State Employees and Retirees Health and Welfare Benefits Fund to reduce the general fund contribution for employee and retiree health insurance by at least $77.0 million in fiscal 2009. In addition, there must be one additional fiscal 2009 pay period, or equivalent adjustment, in which State employees and retirees are not required to make health insurance contributions.

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
GF Exp	0.0	(77.0)	0.0	0.0	0.0

Current Law: The State provides health insurance benefits for current employees and eligible retirees. Employee/retiree and State agency contributions for health insurance accumulate in the State Employees and Retirees Health and Welfare Benefits Fund, a nonbudgeted fund.

Background: The State Employees and Retirees Health and Welfare Benefits Fund has accumulated balances in excess of health insurance payments since fiscal 2005. The fiscal 2008 State budget includes $176.5 million in surplus funds from the State Employees and Retirees Health and Welfare Benefits Fund to cover a portion of the State's share of health insurance costs.

State Effect: General fund expenditures would decrease by an estimated $77.0 million in fiscal 2009. This represents one-time savings available from a surplus in the State Employees and Retirees Health and Welfare Benefits Fund. The fund is currently estimated to close fiscal 2008 with a balance of $132.0 million over the funding necessary to cover health insurance claims incurred but not yet received by the State. Of this amount, $82.0 million is general funds available from excess State agency contributions. Approximately $5.0 million would be used to give State employees and retirees one additional pay period with no health insurance contributions, or an equivalent adjustment to their contributions. Future year expenditures would not be affected.

Expanding the Use of the Circuit Court Real Property Records Improvement Fund

The bill repeals the termination date on the Circuit Court Real Property Records Improvement Fund and expands the allowable uses of the fund for fiscal 2009 and 2010 to include information technology development projects of the Judiciary.

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenues	$0.0	$0.0	$30.0	$30.0	$30.0
GF Exp	0.0	(11.2)	(11.2)	0.0	0.0
SF Exp	0.0	11.2	11.2	0.0	0.0

Current Law: The Circuit Court Real Property Records Improvement Fund is managed and supervised by the State Court Administrator with advice from a five-member oversight committee. The fund consists of $20 surcharges assessed on each recordable land instrument. The fund is used to pay the operating expenses of the land records offices of the clerks of the circuit courts and to repair, replace, improve, modernize, and update office equipment and equipment-related services in the circuit court land records offices for each county. The fund is scheduled to terminate on June 30, 2009.

Background: The Real Property Records Improvement Fund has accumulated balances in excess of $26.0 million since fiscal 2004. The fiscal 2008 budget includes $8.0 million in general funds to cover the Judiciary's major information technology development projects. Fiscal 2009 information technology development expenditures are estimated at $11.2 million.

State Effect: Repealing the termination date on the Circuit Court Real Property Records Improvement Fund would continue special fund revenues of approximately $30 million per year after fiscal 2009. Expanding the use of the fund to include information technology projects would allow special funds to replace the general funds that would otherwise be used to support the projects. In fiscal 2009 and 2010, special fund expenditures would increase by an estimated $11.2 million per year and general fund expenditures would decrease by an equal amount.

Authorizing State Funding for Health Care Services and Facilities in Prince George's County

The bill authorizes, for fiscal 2008 only, the transfer by budget amendment of up to $20.0 million from the Dedicated Purpose Account to the Department of Health and Mental Hygiene (DHMH). Funds may only be used to provide an operating grant to an independent entity with authority over the facilities currently operated and health care services currently provided by Dimensions Healthcare System.

A grant may not be provided until a long-term, comprehensive solution to the control and operation of the facilities and provision of health care services is reached through either legislation or a memorandum of understanding between the State and Prince George's County.

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0.0	$0.0	$0.0	$0.0	$0.0
SF Exp	20.0	0.0	0.0	0.0	0.0

Background: Dimensions was formed in 1982 and comprises five member institutions: Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center, Gladys Spellman Specialty Hospital and Nursing Center, and Larkin Chase Nursing and Rehabilitation Center. Prince George's County owns the majority of the facilities currently under the control of or operated by Dimensions under a long-term lease agreement. The Prince George's Hospital System, including Prince George's Hospital Center (PGHC), has been faced with financial difficulties for the past several years. The system has incurred lost market share, revenue losses, low liquidity, significant deferred capital needs, poor bond ratings, and a disadvantageous payor mix.

Both Prince George's County and the State have provided funding in an effort to help PGHC meet its financial needs. Most recently, the fiscal 2008 State budget included a fiscal 2007 $20.0 million deficiency appropriation from the Dedicated Purpose Account to assist with the operations of PGHC if certain legislation passed (which it did not) or for the closure of the hospital if certain legislation failed. As the hospital was not closed, the funding remains available in the Dedicated Purpose Account and this bill authorizes its transfer in fiscal 2008.

State Effect: Assuming all contingencies are met, special fund expenditures for DHMH would increase by up to $20.0 million in fiscal 2008 to provide the grant. The funds are currently available in the Dedicated Purpose Account.

Reporting State Funding Mandates

The bill requires the Department of Legislative Services (DLS) to identify and report mandated appropriations in bill synopses, fiscal notes, and its end-of-session report on the fiscal impact of enacted legislation.

This provision takes effect July 1, 2008.

No Fiscal Impact

Current Law: DLS is required to identify bills that impose mandates on units of local government, but reporting State funding mandates is not required.

Background: A September 2007 report by DLS to the House Appropriations Committee indicated that spending for mandates and entitlements consumes more than two-thirds of the State's general fund budget in fiscal 2008, a proportion that has grown in recent years. **Exhibit 7** shows that total general fund spending has grown by approximately $4.0 billion from fiscal 2004 to 2008, with spending for mandates and entitlements accounting for more than three-quarters of the growth.

Exhibit 7
General Fund Spending
Fiscal 2004 to 2008
($ in Millions)

	FY 2004	FY 2008	FY 04 to 08 $ Increase	Percent of $ Increase
Mandates and Entitlements	$6,724	$9,783	$3,059	76.4%
Nonmandated Spending	3,834	4,778	944	23.6%
Total	**$10,558**	**$14,561**	**$4,003**	

State Effect: DLS could identify and report bills that mandate spending with existing personnel and resources.

Studying the State's Budgetary Structure and Process

The bill requires the Spending Affordability Committee, in cooperation with the Department of Budget and Management, to study Maryland's budgetary structure and process. The study must be complete by December 15, 2008 and must include, as appropriate, draft legislation for consideration by the 2009 General Assembly.

No Fiscal Impact

Current Law: Each year the Spending Affordability Committee reviews projections of State revenues and expenditures and makes recommendations for the level of State spending in the upcoming fiscal year. The committee is made up of State Senators and Delegates, as well as an advisory committee of citizens appointed by the President of the Senate and the Speaker of the House.

State Effect: The Spending Affordability Committee and the Department of Budget and Management could conduct the required study with existing personnel and resources.

Appendix A

- Exhibit A1: Fiscal 2009 Local Effect of Budget Reconciliation Act

Exhibit A1
Fiscal 2009 Local Effect of Budget Reconciliation Act
($ in Thousands)

County	Electric Utility Property Tax Grant	Program Open Space	Education Aid: Inflation Freeze	Education Aid: Supplemental Grant	Education Aid: Additional 30% GCEI Commitment*	Net Impact of Adjustments
Allegany		($232)	($3,223)	$169	$0	($3,286)
Anne Arundel	($7,820)	(2,468)	(12,158)	0	2,578	(19,868)
Baltimore City	(453)	(2,213)	(34,163)	11,465	6,599	(18,766)
Baltimore	(1,795)	(2,792)	(23,946)	572	1,617	(26,344)
Calvert	(6,097)	(245)	(4,024)	0	720	(9,646)
Caroline		(109)	(1,777)	81	0	(1,805)
Carroll		(554)	(6,604)	943	794	(5,422)
Cecil		(286)	(4,479)	0	0	(4,764)
Charles	(2,523)	(503)	(6,747)	0	1,047	(8,725)
Dorchester	(187)	(93)	(1,346)	733	0	(894)
Frederick		(573)	(9,806)	0	1,928	(8,451)
Garrett	(12)	(114)	(1,094)	931	0	(289)
Harford	(861)	(821)	(9,838)	1,807	0	(9,713)
Howard		(1,456)	(8,751)	0	1,460	(8,747)
Kent		(69)	(387)	580	43	167
Montgomery	(2,766)	(3,667)	(19,079)	0	9,214	(16,298)
Prince George’s	(7,745)	(3,155)	(41,244)	0	11,903	(40,240)
Queen Anne’s		(148)	(1,354)	0	166	(1,336)
St. Mary’s		(278)	(4,250)	0	64	(4,464)
Somerset		(67)	(981)	0	0	(1,048)
Talbot		(155)	(433)	28	0	(560)
Washington	(357)	(437)	(6,318)	0	0	(7,111)
Wicomico		(292)	(4,617)	0	0	(4,908)
Worcester		(275)	(710)	0	0	(985)
Total	**($30,615)**	**($21,000)**	**($207,330)**	**$17,308**	**$38,134**	**($203,503)**

*Although it is not codified in HB 1, the Administration has committed to fund a 60% phase-in of the geographic cost of education index (GCEI) formula in fiscal 2009, which is higher than the 30% phase-in assumed under current law.

Appendix B

- Exhibit B1: Fiscal 2009 Funding from Major Direct State Education Aid Programs Under Current Law and Budget Reconciliation Act

- Exhibit B2: Estimated Direct State Education Aid Under Budget Reconciliation Act

- Exhibit B3: Estimated Annual Changes in Direct State Education Aid Under Budget Reconciliation Act

- Exhibit B4: Estimated Difference Between Direct State Aid Under Current Law and Under Budget Reconciliation Act

Exhibit B1
Fiscal 2009 Funding from Major Direct State Education Aid Programs*
Under Current Law and Budget Reconciliation Act (BRA)
($ in Thousands)

School System	Current Law Direct Aid	Budget Reconciliation Act Proposal: Without IPD Inflation	Supplemental Grant	30% of GCEI Funding	Total BRA Direct Aid	Difference from Current Law	Additional 30% GCEI Commitment	Difference from Current Law w/60% GCEI
Allegany	$84,016	$80,792	$169	$0	$80,962	($3,054)	$0	($3,054)
Anne Arundel	264,907	250,171	0	2,578	252,749	(12,158)	2,578	(9,580)
Baltimore City	824,030	783,267	11,465	6,599	801,331	(22,698)	6,599	(16,099)
Baltimore	509,410	483,846	572	1,617	486,035	(23,375)	1,617	(21,758)
Calvert	86,450	81,706	0	720	82,425	(4,024)	720	(3,305)
Caroline	42,790	41,013	81	0	41,093	(1,697)	0	(1,697)
Carroll	142,264	134,866	943	794	136,602	(5,662)	794	(4,868)
Cecil	100,671	96,192	0	0	96,192	(4,479)	0	(4,479)
Charles	152,670	144,876	0	1,047	145,923	(6,747)	1,047	(5,700)
Dorchester	30,032	28,686	733	0	29,419	(613)	0	(613)
Frederick	209,210	197,475	0	1,928	199,403	(9,806)	1,928	(7,878)
Garrett	24,730	23,636	931	0	24,567	(163)	0	(163)
Harford	209,988	200,150	1,807	0	201,957	(8,031)	0	(8,031)
Howard	190,607	180,395	0	1,460	181,856	(8,751)	1,460	(7,291)
Kent	9,208	8,778	580	43	9,401	193	43	236
Montgomery	418,043	389,750	0	9,214	398,964	(19,079)	9,214	(9,866)
Prince George's	924,820	871,673	0	11,903	883,576	(41,244)	11,903	(29,340)
Queen Anne's	30,286	28,766	0	166	28,932	(1,354)	166	(1,188)
St. Mary's	92,559	88,245	0	64	88,309	(4,250)	64	(4,185)
Somerset	24,235	23,254	0	0	23,254	(981)	0	(981)
Talbot	10,115	9,682	28	0	9,710	(405)	0	(405)
Washington	141,882	135,564	0	0	135,564	(6,318)	0	(6,318)
Wicomico	110,297	105,681	0	0	105,681	(4,617)	0	(4,617)
Worcester	16,958	16,249	0	0	16,249	(710)	0	(710)
Total	**$4,650,177**	**$4,404,713**	**$17,308**	**$38,134**	**$4,460,155**	**($190,022)**	**$38,134**	**($151,888)**

*Includes the following formulas: foundation, GCEI, compensatory education, special education, limited English proficiency, student transportation, and guaranteed tax base.

Exhibit B2
Estimated Direct State Education Aid Under Budget Reconciliation Act

	Total ($ in Millions)					Per Pupil				
School System	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Allegany	$83.1	$83.6	$83.8	$84.8	$85.8	$9,339	$9,599	$9,855	$10,191	$10,464
Anne Arundel	266.2	269.7	271.8	278.0	281.8	3,729	3,796	3,817	3,912	3,955
Baltimore City	832.7	844.1	850.9	851.3	860.6	10,603	11,044	11,445	11,699	12,004
Baltimore	509.5	514.1	520.8	534.9	553.4	5,051	5,130	5,221	5,368	5,529
Calvert	83.9	85.4	85.9	86.7	88.3	4,905	4,999	5,030	5,058	5,121
Caroline	41.8	42.0	42.9	44.0	45.9	7,900	7,871	8,027	8,114	8,223
Carroll	141.1	142.7	143.4	144.8	147.0	4,995	5,068	5,106	5,152	5,229
Cecil	97.1	99.0	99.5	102.1	105.6	6,037	6,148	6,140	6,241	6,363
Charles	144.7	149.6	154.3	158.7	162.4	5,537	5,659	5,782	5,909	5,989
Dorchester	29.9	30.1	30.2	31.1	31.8	6,811	6,906	6,909	7,160	7,201
Frederick	197.1	205.0	209.6	215.7	221.2	4,916	5,062	5,111	5,211	5,278
Garrett	25.3	25.4	25.4	25.0	24.8	5,692	5,827	5,961	5,936	6,087
Harford	207.1	208.0	208.8	212.0	215.4	5,374	5,426	5,442	5,524	5,577
Howard	183.3	188.6	191.2	194.9	196.5	3,780	3,875	3,911	3,991	4,029
Kent	10.2	10.3	10.3	10.2	10.0	4,797	5,075	5,185	5,262	5,161
Montgomery	396.5	426.4	447.7	466.5	486.1	2,934	3,152	3,295	3,418	3,533
Prince George's	901.5	929.7	958.5	986.2	1,024.3	7,255	7,542	7,836	8,087	8,436
Queen Anne's	29.6	30.1	30.5	30.7	31.3	3,906	3,937	3,963	3,943	3,959
St. Mary's	88.7	90.1	90.7	93.3	96.4	5,526	5,569	5,542	5,621	5,732
Somerset	23.4	23.6	23.9	24.5	25.4	8,487	8,542	8,649	8,805	9,240
Talbot	10.3	10.3	10.3	10.5	10.8	2,463	2,511	2,528	2,576	2,647
Washington	135.2	138.9	143.1	149.9	157.7	6,337	6,433	6,539	6,741	6,928
Wicomico	104.1	107.1	109.7	114.2	119.6	7,251	7,453	7,620	7,884	8,201
Worcester	16.9	16.9	16.9	17.1	17.4	2,648	2,669	2,678	2,719	2,777
Unallocated	42.3	50.7	47.8	48.1	50.9	51	62	59	59	62
Total Direct Aid	**$4,601.6**	**$4,721.4**	**$4,807.9**	**$4,915.1**	**$5,050.4**	**$5,593**	**$5,763**	**$5,879**	**$6,012**	**$6,161**

Note: Consistent with the Administration's commitments, estimates of direct State aid assume funding for the GCEI formula at 60% in fiscal 2009 and 100% thereafter.

Exhibit B3
Estimated Annual Changes in Direct State Education Aid Under Budget Reconciliation Act

	Total ($ in Millions)				Per Pupil			
School System	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Allegany	$0.5	$0.3	$0.9	$1.0	$260	$256	$336	$273
Anne Arundel	3.4	2.1	6.2	3.9	67	21	95	42
Baltimore City	11.5	6.7	0.4	9.4	441	401	254	305
Baltimore	4.6	6.6	14.2	18.5	79	91	147	162
Calvert	1.5	0.5	0.8	1.6	94	31	28	63
Caroline	0.2	0.9	1.0	1.9	(28)	155	87	110
Carroll	1.5	0.8	1.4	2.2	72	38	46	77
Cecil	1.8	0.5	2.6	3.5	111	(8)	101	122
Charles	4.9	4.7	4.4	3.7	122	123	127	81
Dorchester	0.2	0.1	1.0	0.6	94	3	251	41
Frederick	7.8	4.6	6.2	5.5	146	49	100	67
Garrett	0.1	0.1	(0.5)	(0.2)	134	135	(26)	152
Harford	1.0	0.7	3.2	3.4	52	17	81	53
Howard	5.3	2.6	3.7	1.6	95	35	80	38
Kent	0.1	0.0	(0.1)	(0.2)	278	111	77	(101)
Montgomery	29.9	21.4	18.8	19.6	218	143	123	115
Prince George’s	28.2	28.8	27.7	38.1	288	293	251	349
Queen Anne’s	0.5	0.4	0.2	0.6	31	25	(20)	16
St. Mary’s	1.4	0.6	2.6	3.1	43	(27)	79	112
Somerset	0.2	0.3	0.6	0.9	55	107	156	435
Talbot	0.0	0.0	0.2	0.3	48	16	48	71
Washington	3.7	4.2	6.8	7.9	96	106	202	186
Wicomico	3.0	2.6	4.5	5.4	202	166	265	317
Worcester	(0.0)	(0.0)	0.2	0.3	20	9	41	58
Unallocated	8.4	(2.8)	0.3	2.8	10	(3)	0	3
Total	**$119.7**	**$86.5**	**$107.2**	**$135.2**	**$170**	**$116**	**$133**	**$148**

Note: Consistent with the Administration’s commitments, estimates of annual direct State aid increases assume funding for the GCEI formula at 60% in fiscal 2009 and 100% thereafter.

Exhibit B4
Estimated Difference Between Direct State Aid Under Current Law and Under Budget Reconciliation Act

	Total ($ in Millions)				Per Pupil			
School System	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Allegany	($3.1)	($4.9)	($5.3)	($5.6)	($351)	($572)	($636)	($678)
Anne Arundel	(9.6)	(16.1)	(22.0)	(23.2)	(135)	(227)	(309)	(326)
Baltimore City	(16.1)	(26.8)	(40.3)	(43.3)	(211)	(360)	(554)	(604)
Baltimore	(21.8)	(36.8)	(43.5)	(47.2)	(217)	(369)	(437)	(471)
Calvert	(3.3)	(5.5)	(7.2)	(7.6)	(193)	(323)	(417)	(442)
Caroline	(1.7)	(2.9)	(3.2)	(3.5)	(318)	(543)	(594)	(629)
Carroll	(4.9)	(7.9)	(10.0)	(10.8)	(173)	(282)	(357)	(383)
Cecil	(4.5)	(7.0)	(7.8)	(8.4)	(278)	(431)	(476)	(509)
Charles	(5.7)	(9.6)	(12.4)	(13.3)	(216)	(361)	(462)	(491)
Dorchester	(0.6)	(1.4)	(1.6)	(1.8)	(141)	(320)	(376)	(406)
Frederick	(7.9)	(13.4)	(18.1)	(19.5)	(195)	(328)	(438)	(464)
Garrett	(0.2)	(0.0)	(0.1)	(0.2)	(37)	(6)	(28)	(43)
Harford	(8.0)	(11.5)	(13.1)	(14.2)	(209)	(301)	(341)	(367)
Howard	(7.3)	(12.2)	(15.8)	(16.7)	(150)	(250)	(324)	(342)
Kent	0.2	0.7	0.6	0.6	116	361	323	320
Montgomery	(9.9)	(19.8)	(37.4)	(40.9)	(73)	(146)	(274)	(297)
Prince George's	(29.3)	(51.7)	(75.9)	(81.7)	(238)	(422)	(623)	(673)
Queen Anne's	(1.2)	(2.0)	(2.4)	(2.6)	(155)	(256)	(309)	(324)
St. Mary's	(4.2)	(6.8)	(7.7)	(8.3)	(259)	(414)	(461)	(491)
Somerset	(1.0)	(1.6)	(1.8)	(1.9)	(355)	(574)	(632)	(691)
Talbot	(0.4)	(0.6)	(0.7)	(0.7)	(99)	(147)	(164)	(179)
Washington	(6.3)	(10.3)	(11.6)	(12.7)	(293)	(473)	(524)	(559)
Wicomico	(4.6)	(7.5)	(8.5)	(9.3)	(321)	(524)	(585)	(635)
Worcester	(0.7)	(1.1)	(1.2)	(1.3)	(112)	(180)	(197)	(211)
Total Direct Aid Impact	**($151.9)**	**($256.8)**	**($347.0)**	**($373.9)**	**($185)**	**($314)**	**($424)**	**($456)**

Note: Consistent with the Administration's commitments, estimates of direct State aid under HB 1 assume funding for the GCEI formula at 60% in fiscal 2009 and 100% thereafter. Current law estimates assume GCEI formula funding at 30% in fiscal 2009, 60% in fiscal 2010, and 100% thereafter.