SB 540

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 540 (Chair, Budget and Taxation Committee)
Budget and Taxation Appropriations

Transfer of Special Fund Balances

This bill transfers special fund balances from the Dedicated Purpose Account and the Central Collection Fund and eliminates the Joseph Fund Account.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: General fund revenues would increase by $100.0 million in FY 2008 and by $25.0 million in FY 2009 due to the transfer of specified fund balances to the general fund. Special fund revenues for the Revenue Stabilization Account would increase by an estimated $15,500 in FY 2008 due to the elimination of the Joseph Fund Account. Expenditures would not be affected.

($ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	$100.00	$25.00	$0	$0	$0
SF Revenue	.02	0	0	0	0
Expenditure	$0	$0	$0	$0	$0
Net Effect	$100.02	$25.00	$0	$0	$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

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

- Transferring Funds from the Dedicated Purpose Account to the General Fund
- Eliminating the Joseph Fund Account
- Transferring Funds from the Central Collection Fund to the General Fund

Additional Comments: Along with the fiscal 2009 Budget Bill (SB 90), this bill – as well as SB 182, SB 527, SB 545, and SB 983 – represents part of the budget plan adopted by the General Assembly.

Additional Information

Prior Introductions: None.

Cross File: HB 1244 (Chair, Appropriations Committee) – Appropriations.

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

Fiscal Note History: First Reader - February 26, 2008
ncs/rhh Revised - Senate Third Reader - March 18, 2008
Revised - Enrolled Bill - May 14, 2008

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Transferring Funds from the Dedicated Purpose Account to the General Fund

The bill requires the Governor to transfer $100.0 million to the general fund from funds deposited in the Dedicated Purpose Account (DPA) for the purpose of defraying future costs associated with retirement benefits for State employees. The transfer must be executed by June 1, 2008.

$ in Millions	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Rev	$100.0	$0.0	$0.0	$0.0	$0.0
Expenditures	0.0	0.0	0.0	0.0	0.0

Current Law: DPA is one of five accounts in the State Reserve Fund. DPA retains appropriations for major, multiyear expenditures where the magnitude and timing of cash needs are uncertain. The unspent balances of appropriations made to DPA revert to the revenue stabilization account four years after the end of the fiscal year for which the appropriation was made.

Background: Since the early 1990s, when the Government Accounting Standards Board (GASB) changed the accounting rules for pension funds, Maryland and most public employers have been pre-funding their pension liabilities. More recently, GASB began requiring governmental employers to also include in their financial statements any liabilities associated with the commitments they have made to provide post-employment benefits other than pensions. These other post-employment benefits (OPEB) include health insurance for retirees, as well as any life insurance or long-term care insurance paid by the employer. In fiscal 2007 and 2008, Maryland placed $100 million annually in DPA to fund OPEB liabilities. The fiscal 2009 State budget includes an additional $104 million for unfunded OPEB liabilities that has been incorporated in the budgets of State agencies.

State Fiscal Effect: General fund revenues would increase by $100.0 million in fiscal 2008 due to the transfer of funds from DPA. There would be no fiscal impact after fiscal 2008.

Eliminating the Joseph Fund Account

The bill eliminates the Joseph Fund Account, and any balance remaining in the account at the end of May 31, 2008 must be transferred to the Revenue Stabilization Account. The Joseph Fund Board is also repealed.

in Dollars	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Rev	$15,476	$0	$0	$0	$0
Expenditures	0	0	0	0	0

Current Law: The Joseph Fund Account in the State Reserve Fund holds reserves that have been set aside in times of economic prosperity to be used to meet the emergency needs of economically disadvantaged citizens of the State. The Governor may include up to $5.0 million per year in the budget for the Joseph Fund Account. No monies may be expended from the account until the balance has reached $15.0 million.

The Joseph Fund Board consists of 13 members and advises the Governor on the management of the Joseph Fund Account. The Department of Human Resources provides staff support for the board.

Background: The Joseph Fund Account was established in 1999 to meet the emergency needs of disadvantaged citizens during economic downturns. Fiscal 2001 and 2002 appropriations to the account provided an account balance in excess of the $15.0 million needed to expend funds from the account; however, $8.0 million from the account was transferred to the general fund in fiscal 2002 and, through budget reconciliation legislation, $8.3 million was used to supplement Temporary Cash Assistance Grants in fiscal 2003 and 2004. By the end of fiscal 2004, the fund balance was less than $13,000, and no appropriations to the account have been made since then. The account has continued to accrue interest, and by the end of fiscal 2008, the account is expected to have a balance of approximately $15,500.

State Fiscal Effect: Revenue Stabilization Account revenues would increase by an estimated $15,476 in fiscal 2008 due to the transfer of the remaining fund balance in the Joseph Fund Account. There would be no fiscal impact after fiscal 2008.

Transferring Funds from the Central Collection Fund to the General Fund

The bill requires the Governor to transfer $25.0 million from the Central Collection Fund (CCF) to the general fund by June 30, 2009.

$ in Millions	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Rev	$25.0	$0	$0	$0	$0
Expenditures	0	0	0	0	0

Current Law: CCU is responsible for the collection of all delinquent accounts and debts owed to the State other than taxes, child support, unemployment insurance contributions, and overpayments. CCF consists of funds accumulated by CCU. Monies in CCF support CCU operations and do not revert to the general fund.

Background: Typical debts collected by CCU are student tuition and fees, restitution for damage to State property, reimbursement for institutional care, local health department fees, Workers' Compensation premiums, Home Improvement Commission awards, and State grant overpayments. In recent years, CCF income from debts collected has exceeded CCU expenditures by approximately $8 million annually.

The Budget Reconciliation and Financing Act of 2004 (Chapter 430) transferred $4.5 million of the CCF fund balance to the general fund in fiscal 2005, but no funds have been transferred since then. The CCF fund balance was $30.8 million at the end of fiscal 2007 and is expected to total approximately $39.4 million by the end of fiscal 2008.

State Revenues: General fund revenues from the CCF fund balance transfer would increase by $25.0 million in fiscal 2009. As shown in **Exhibit 1**, a $25.0 million transfer to the general fund in fiscal 2009 would leave an estimated $23.3 million in CCF at the start of fiscal 2010.

Exhibit 1
Central Collection Fund End-of-year Fund Balances, and General Fund Transfers
Fiscal 2004 to 209
($ in Millions)