

Department of Legislative Services  
 Maryland General Assembly  
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1194 (Chair, Appropriations Committee)  
 Appropriations

Spending Mandate Relief Act

This bill reduces mandated State funding for circuit court rent payments, independent institutions of higher education, and public libraries.

The bill takes effect July 1, 2008.

Fiscal Summary

**State Effect:** General fund expenditures would decrease by \$9.5 million in FY 2009 due to reductions in mandated funding levels. Future year expenditure reductions reflect returns to mandated spending levels for libraries and independent higher education institutions by FY 2011 and ongoing limits on spending for circuit court rent payments. Revenues would not be affected.

| (\$ in millions) | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------|---------|---------|---------|---------|---------|
| Revenues         | \$0     | \$0     | \$0     | \$0     | \$0     |
| GF Expenditure   | (9.5)   | (11.3)  | (4.7)   | (4.7)   | (4.7)   |
| Net Effect       | \$9.5   | \$11.3  | \$4.7   | \$4.7   | \$4.7   |

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

**Local Effect:** State aid to local libraries would decrease by \$2.5 million in FY 2009 and 2010. Local revenues from the State’s contribution to circuit court rent payments would decrease by \$500,000 in FY 2009 due to the limit on State payments for this purpose.

**Small Business Effect:** Minimal.

## Analysis

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

- Limiting Circuit Court Rent Payments
- Reducing Mandated State Funding of Independent Colleges and Universities for Two Years
- Deferring Library Enhancements for One Year

**Background:** A September 2007 report by the Department of Legislative Services 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 1** 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 1**  
**General Fund Spending**  
**Fiscal 2004 and 2008**  
**(\$ in Millions)**

|                           | <u>FY 2004</u>  | <u>FY 2008</u>  | <u>FY 04 to 08</u><br><u>\$ Increase</u> | <u>Percent of</u><br><u>\$ Increase</u> |
|---------------------------|-----------------|-----------------|--|---|
| Mandates and Entitlements | \$6,724         | \$9,783         | \$3,059                                  | 76.4%                                   |
| Nonmandated Spending      | <u>3,834</u>    | <u>4,778</u>    | <u>944</u>                               | 23.6%                                   |
| <b>Total</b>              | <b>\$10,558</b> | <b>\$14,561</b> | <b>\$4,003</b>                           |   |

---

The fiscal 2009 and projected fiscal 2010 general fund savings from the bill are summarized in **Exhibit 2**.

---

**Exhibit 2**  
**Fiscal 2009 and 2010 General Fund Savings**

|   | <u><b>FY 2009</b></u> | <u><b>FY 2010</b></u> |
|---|-----------------------|-----------------------|
| Limit Circuit Court Rent Payments               | \$500,000             | \$4,700,000           |
| Reduce Funding for Sellinger Formula            | 5,624,749             | 3,182,725             |
| Defer Enhancements to Library Aid Formula       | 2,479,730             | 2,489,824             |
| Defer Enhancements to Regional Resource Centers | <u>907,673</u>        | <u>921,480</u>        |
| <b>Reduction in Mandated GF Expenditures</b>    | <b>\$9,512,152</b>    | <b>\$11,294,029</b>   |

---

**Additional Comments:** SB 91/HB 101 of 2008, the Administration's Budget Reconciliation and Financing Act of 2008, include identical provisions to this bill.

---

**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 527 (Chair, Budget and Taxation Committee) – Budget and Taxation.

**Information Source(s):** Montgomery County, Prince George's County, Caroline County, Howard County, Baltimore City, Judiciary (Administrative Office of the Courts), Maryland Higher Education Commission, Maryland State Department of Education, Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2008  
mll/rhh

---

Analysis by: Mark W. Collins

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

## Limiting Circuit Court Rent Payments

The bill limits the State's annual contribution for circuit court rent payments to \$500,000. Each year, the Chief Judge of the Court of Appeals must certify to the Governor an appropriation not to exceed this limit for inclusion in the annual State budget.

| \$ in Millions | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------|---------|---------|---------|---------|---------|
| Revenues       | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   |
| GF Exp         | (0.5)   | (4.7)   | (4.7)   | (4.7)   | (4.7)   |

**Current Law:** For fiscal 2009 and each fiscal year thereafter, to the extent provided in the annual State budget, \$10 must be provided per net usable square foot to the counties for space occupied in county facilities by clerks of circuit courts.

**Background:** Chapter 453 of 2002 required the State to pay rent directly to the counties for space occupied in county facilities by clerks of the circuit courts, with payments per net usable square foot phasing up from \$2.50 in fiscal 2004 to \$10.00 in fiscal 2006. The counties and Baltimore City were then required to use the savings generated from Chapter 453 to increase local expenditures for the circuit courts or other public safety purposes. The Budget Reconciliation and Financing Act of 2003 (Chapter 203) moved the start of the phase-in of circuit court rent payments to fiscal 2007, and the State provided \$250,000 for the payments in fiscal 2007 and \$500,000 in fiscal 2008.

**State Effect:** General fund expenditures would decrease by \$500,000 in fiscal 2009 due to the limitation on circuit court rent payments. The proposed fiscal 2009 State budget for the Judiciary includes \$1.0 million for the payments and a reduction of \$500,000 contingent on the enactment of legislation limiting the State's support.

The \$1.0 million for circuit court rent payments that was requested and is included in the fiscal 2009 budget does not represent the full cost of the \$10 per square foot formula. Assuming the full formula amount (an estimated \$5.2 million) would be requested by the Judiciary beginning in fiscal 2010, general fund expenditures would decrease by \$4.7 million annually beginning in fiscal 2010.

**Local Effect:** Local revenues from State payments for circuit court rent payments would decrease by \$500,000 in fiscal 2009 due to the limitation on the State payments. The payments were initially established to enable local governments to increase spending for circuit courts and public safety. Reductions in State payments in fiscal 2009 and thereafter could, therefore, reduce local spending for these purposes.

## Reducing Mandated State Funding of Independent Colleges and Universities for Two Years

The bill level funds State support for independent institutions of higher education at \$56,051,065 in fiscal 2009. The Joseph A. Sellinger Formula, which determines the amount of State support for the institutions, phases back up to its full funding level by fiscal 2011.

| \$ in Millions | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------|---------|---------|---------|---------|---------|
| Revenues       | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   |
| GF Exp         | (5.6)   | (3.2)   | 0.0     | 0.0     | 0.0     |

**Current Law:** The Joseph A. Sellinger Formula determines annual State funding for independent institutions of higher education in Maryland. For each full-time equivalent (FTE) student at a qualifying institution, the formula provides 16% of the State's per pupil support for public four-year institutions of higher education in the prior fiscal year.

To qualify for funding from the Sellinger formula, a nonpublic institution of higher education must • be nonprofit; • be approved by the Maryland Higher Education Commission (MHEC); • be accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools; • have awarded degrees to at least one class; • maintain one or more earned degree programs; and • submit each new program and each major modification of an existing program to MHEC.

**Background:** In an effort to constrain fiscal 2008 spending, the Board of Public Works reduced the Sellinger formula appropriation by \$2.5 million on July 11, 2007. The reduction effectively brought the fiscal 2008 percentage used for the formula down from the mandated 16% level to 15.32%. Funding the Sellinger formula at the same amount in fiscal 2009 would reduce the percentage to 14.54% of the fiscal 2008 per pupil State support for public four-year institutions.

**State Effect:** Mandated general fund expenditures for the Joseph A. Sellinger formula would decrease by \$5.6 million in fiscal 2009. The proposed fiscal 2009 State budget includes a \$5.6 million reduction for the formula that is contingent on the enactment of legislation authorizing the decrease in the mandated spending level.

General fund expenditures would decrease by an estimated \$3.2 million in fiscal 2010, when the formula would calculate the funding level using 15.25% of the State's fiscal 2009 per student funding at public four-year institutions. The formula would return to the full 16% level in fiscal 2011, so there would be no fiscal impact after fiscal 2010.

## Deferring Library Enhancements for One Year

The bill defers scheduled enhancements to the library formulas for one year. The per capita funding level used to calculate the library aid formula remains at \$14 for fiscal 2009 before resuming \$1 annual increases in fiscal 2010 and 2011. State funding for regional resource centers remains at \$6.50 per resident of each region in fiscal 2009 before resuming \$1 annual increases in per capita funding in fiscal 2010 and 2011.

| \$ in Millions | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------|---------|---------|---------|---------|---------|
| Revenues       | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   |
| GF Exp         | (3.4)   | (3.4)   | 0.0     | 0.0     | 0.0     |

**Current Law:** The State and local governments share in the cost of funding local public library systems, with the library aid formula calculating minimum State and local contributions. In calculating the mandated amounts for fiscal 2009, a figure of \$15 per resident of each county is scheduled for use in the formula, up from \$14 per resident in fiscal 2008. This amount is set to increase to \$16 per resident for fiscal 2010 and thereafter.

The State also provides funding for regional resource centers serving Western Maryland, Southern Maryland, and the Eastern Shore. The State is scheduled to provide \$7.50 per resident of each region in fiscal 2009, up from \$6.50 per resident in fiscal 2008. For fiscal 2010 and thereafter, the amount is scheduled to increase to \$8.50 per resident of each region.

**Background:** The library aid formula was established in 1962, and the General Assembly has periodically passed legislation since then to increase the per capita funding level for the formula. Most recently, Chapter 481 of 2005 began a four-year phase-up of the per capita amount, with the amount increasing by \$1 per year from \$12 in fiscal 2006 to \$16 by fiscal 2010.

The mandatory aid formula for regional resource centers was established in 1998 with State funding equal to \$1.70 per resident of each region going to the three regional centers. As with the library aid formula, the per resident funding levels have been increased periodically with the most recent increase implemented through Chapter 481 of 2005. That legislation began a four-year phase-in of increases from \$4.50 per resident to \$8.50 per resident from fiscal 2006 to 2010.

**State Effect:** Mandated general fund expenditures would decrease by \$3.4 million in fiscal 2009 due to the deferral of scheduled enhancements for the local library aid formula (\$2.5 million) and the regional resource centers (\$908,000). The proposed fiscal

2009 State budget includes reductions in the library formulas that are contingent on the enactment of authorizing legislation.

Increases in the per capita amounts used for the library formulas would resume in fiscal 2010, but the per capita amounts would still be \$1 below the current law levels. Therefore, similar reductions (\$2.5 million for the local library aid formula and \$921,000 for regional resource centers) are projected for fiscal 2010. By fiscal 2011 the formulas would reach full funding of the enhanced per capita levels, so there would be no impact after fiscal 2010.

**Local Effect:** State aid for local library systems would decrease by \$2.5 million in fiscal 2009 and 2010. The fiscal 2009 and projected fiscal 2010 reductions for each local library system are shown in **Exhibit 3**.

---

**Exhibit 3**  
**Reductions in State Aid for Local Library Systems**  
**Fiscal 2009 and 2010**  
**(\$ in Thousands)**

| <u>Library System</u> | <u>FY 2009</u>   | <u>FY 2010</u>   |
|-----------------------|------------------|------------------|
| Allegany              | (\$55)           | (\$55)           |
| Anne Arundel          | (145)            | (139)            |
| Baltimore City        | (471)            | (471)            |
| Baltimore             | (390)            | (393)            |
| Calvert               | (32)             | (33)             |
| Caroline              | (20)             | (20)             |
| Carroll               | (75)             | (75)             |
| Cecil                 | (53)             | (54)             |
| Charles               | (61)             | (63)             |
| Dorchester            | (18)             | (18)             |
| Frederick             | (82)             | (82)             |
| Garrett               | (12)             | (11)             |
| Harford               | (117)            | (118)            |
| Howard                | (54)             | (55)             |
| Kent                  | (7)              | (7)              |
| Montgomery            | (186)            | (188)            |
| Prince George's       | (468)            | (473)            |
| Queen Anne's          | (10)             | (9)              |
| St. Mary's            | (47)             | (48)             |
| Somerset              | (19)             | (19)             |
| Talbot                | (7)              | (7)              |
| Washington            | (81)             | (82)             |
| Wicomico              | (58)             | (59)             |
| Worcester             | (10)             | (10)             |
| <b>Total</b>          | <b>(\$2,480)</b> | <b>(\$2,490)</b> |

---



