Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 101 (The Speaker)(By Request - Administration)
Appropriations Budget and Taxation

Budget Reconciliation and Financing Act of 2009

This Administration bill executes a variety of actions that help to balance the State budget, mostly through the transfer of special fund balances to the general fund, adjustments to mandated spending, and the use of other funds to cover general fund costs.

The bill takes effect June 1, 2009, although some of the provisions apply retroactively to January 1, 2009 and others do not take effect until July 1, 2009 or July 1, 2011. Some provisions terminate June 30, 2011.

Fiscal Summary

State Effect: General fund revenues increase by $780.9 million in FY 2009 due mostly to fund balance transfers and by $176.1 million in FY 2010 due to additional transfers and reductions to tax credits, lottery agent commissions, and dedicated special fund revenues. General fund expenditures decrease by $2.5 million in FY 2009 and by $515.5 million in FY 2010, mostly due to mandate relief and the use of special and other funds to cover general fund costs. All of the FY 2010 general fund reductions have been incorporated into the State budget, and many are contingent on the enactment of this bill. **This bill reduces mandated appropriations.** Future years reflect ongoing effects.

($ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	$780.9	$176.1	$129.7	$17.6	$8.9
SF Revenue	.1	34.1	7.5	7.5	7.5
FF Revenue	0	-	-	-	-
GF Expenditure	(2.5)	(515.8)	(334.8)	(187.3)	(206.6)
SF Expenditure	(12.6)	(96.6)	(118.7)	(55.3)	(4.1)
FF Expenditure	0	(9.2)	3.1	2.8	2.5
GF/SF/FF Exp.	0	(-)	(-)	(-)	(-)
ReimB. Exp.	0	(1.1)	(.8)	(.8)	(.8)
Higher Ed Exp.	0	(15.1)	(12.8)	(13.3)	(13.9)
Bond Exp.	0	157.3	156.9	0	0
Net Effect	$796.1	$690.8	$444.2	$279.1	$239.4

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

Local Effect: Local revenues from direct State aid decrease by $264.6 million in FY 2010 due to reductions in transportation, school, community college, and library funding. Reductions in local jail reimbursements and payments in lieu of taxes for State parks decrease local revenues by another $33.1 million. Some of these reductions are permanent, but many are temporary. State payments on behalf of local jurisdictions for the retirement costs of certain local employees decrease by $2.5 million, and local expenditures to pay these costs increase by the same amount. Beginning in FY 2012, the proportion of highway user revenues allocated to local jurisdictions decreases from 30% to 28.5%. **This bill imposes a mandate on local governments.**

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

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget.

Background: Due to a deteriorating revenue base and spending increases necessary to keep pace with inflation and statutory mandates, the State faced a gap between revenues and spending for fiscal 2010 that was estimated at $1.2 billion when the Governor initially submitted the State budget in January 2009. This bill was initially proposed to execute transfers, reductions, and fund swaps that, in combination with the annual operating budget bill (House Bill 100), would eliminate that gap and leave the State with a projected $46 million fund balance by the end of fiscal 2010.

In February, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law and included significant federal funds to help states balance their budgets and mitigate reductions to current services, particularly in the education and health areas. Plans were made to replace some of the general fund reductions that had been proposed with the new federal funds made available to Maryland under the Act. However, the initial relief provided by the enactment of ARRA was short-lived. In March, the Bureau of Revenue Estimates revised its fiscal 2009 and 2010 State revenue projections downward by a total of $1.2 billion, requiring the General Assembly to identify further reductions on the way to adopting a balanced budget.

This bill executes budget actions that, with the approved State operating budget and other legislative actions, bring the budget into balance and enable the State to retain a general fund balance that, at the end of the legislative session, was estimated at nearly $100 million.

State Fiscal Effect: The fiscal 2009 and 2010 impact of the bill on the State's general fund is estimated in **Exhibit 1**. The exhibit shows that the bill improves the general fund position by $783.4 million in fiscal 2009, due almost entirely to one-time fund balance transfers specified in the bill. In fiscal 2010, the general fund outlook improves by another $691.9 million aided by $515.8 million in general fund expenditure reductions and $176.1 million in transfers and other revenue measures authorized by this bill. The two-year impact on the general fund sums to nearly $1.5 billion.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2009
Fiscal 2009 and 2010
($ in Millions)

	FY 2009	FY 2010
Revenues		
Fund Balance Transfers	$785.5	$23.4
Other Revenue Measures	0.0	182.2
ARRA Tax Reductions	(4.6)	(29.5)
Revenue Subtotal	**$780.9**	**$176.1**
Expenditures		
Withdrawn/Recaptured Appropriations	($1.6)	($31.4)
Fund Swaps	(0.9)	(280.8)
General Fund Mandate Relief	0.0	(193.2)
Cost Control	0.0	(10.5)
Expenditure Subtotal	**($2.5)**	**($515.8)**
General Fund Improvement	**$783.4**	**$691.9**

In addition to the general fund impact, the bill decreases special fund expenditures by $12.6 million in fiscal 2009 and by $96.6 million in fiscal 2010. Special fund expenditure reductions totaling $291.4 have been incorporated into the approved State budget, but the budget does not include $194.8 million in special fund expenditures that are assumed as a result of the fiscal 2010 fund swaps authorized in this bill. For many of the fund swaps, the budget bill gives authorization to process budget amendments to bring in the special funds.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 6). The fiscal 2009 to 2014 State effects for each provision, including the general and special fund impacts and the effects on any other fund types, are included with the discussions. Charts identifying and totaling the fiscal impact of separate provisions are provided in **Appendix B** (pages 108 to 112).

Local Fiscal Effect: The aggregate fiscal 2010 impact of the bill on local government units is shown in **Exhibit 2**. Aid to local jurisdictions decreases $267.0 million, including $264.6 million in direct State aid and $2.5 million in retirement payments the State makes for local employees on behalf of the jurisdictions that employ them. State payments and reimbursements to counties decrease by another $33.1 million, bringing the fiscal 2010 impact on local jurisdictions to $300.2 million.

When applicable, the discussions of individual provisions in Appendix A include sections describing the local effect of each provision. Fiscal 2010 local impacts are shown by county in **Appendices C1 to C3** (pages 113 to 115).

Exhibit 2
Impact of the Budget Reconciliation and Financing Act of 2009 on Local Governments
Fiscal 2010
($ in Millions)

Reductions in Local Aid	
Highway User Revenues	($161.9)
K-12 Education Aid	(63.9)
Community College Aid	(34.0)
Library Aid	(4.7)
Retirement Payments for Certain Local Employees*	(2.5)
Local Aid Subtotal	**($267.0)**
Reductions in Payments to Local Jurisdictions	
Local Jail Reimbursements	($29.6)
Local Jail Backup Payments	(1.7)
Park Fees (payments in lieu of taxes)	(1.9)
Payments to Local Jurisdictions Subtotal	**($33.1)**
Total Impact on Local Jurisdictions	**($300.2)**

*Local jurisdictions will be responsible for the payments.

Additional Information

Prior Introductions: None.

Cross File: SB 166 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Maryland Department of Agriculture, Baltimore City Community College, Department of Business and Economic Development, Department of Budget and Management, Department of Human Resources, Department of Natural Resources, Maryland Department of Planning, Maryland State Department of Education, Maryland Department of the Environment, Maryland Institute for Emergency Medical Services Systems, Department of General Services, Department of Housing and Community Development, Maryland Higher Education Commission, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, Injured Workers' Insurance Fund, Independent College and University Association, Comptroller's Office, Department of Juvenile Services, State Lottery Agency, Mercer Human Resources Consulting, Maryland Energy Administration, Maryland Automobile Insurance Fund, Department of State Police, Morgan State University, State Retirement Agency, Department of Public Safety and Correctional Services, Public Service Commission, Public School Construction Program, Maryland School for the Deaf, Maryland Stadium Authority, St. Mary's College, Maryland Department of Transportation, State Treasurer's Office, University System of Maryland, Department of Legislative Services

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Local Income Tax Reserve Account Transfer

Provision in the Bill: Requires the Comptroller to distribute $366,778,631 from the local reserve account to the State's general fund by June 30, 2009. From fiscal 2013 through 2022, the Comptroller is required to distribute $36,677,863 annually in income tax revenues to the local reserve account and reduce the total amount of income tax revenues distributed to local jurisdictions by a corresponding amount.

Agency: Comptroller

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
	($ in millions)					
GF Rev	$366.8	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $366.8 million in fiscal 2009 due to the fund balance transfer. Future years are not affected. The fund balance will be replenished from fiscal 2013 to 2022 through annual reductions in local income tax distributions to local jurisdictions.

Local Effect: Local income tax revenues will decrease by $36.7 annually from fiscal 2013 through 2022. Tax revenues in each county and Baltimore City will decrease based on the portion of total county income taxes attributable to the jurisdiction for the most recent tax year in which returns have been filed.

Program Description: The $366.8 million in the local income tax reserve account represents estimated tax year 2008 local income tax refunds from revenues collected in fiscal 2008. Local income tax refunds are considered a liability to the State and therefore funds are included in the reserve account to cover these refunds. However, all refunds, State and local, are paid out of current revenues. Thus, funds in the local income tax reserve account will not be used to pay refunds. The transfer of the $366.8 million out of the reserve account, therefore, will not impact the payment of income tax refunds.

Location of Provision(s) in the Bill: Section 1 (pp. 38-40)

Analysis prepared by: Robert J. Rehrmann

Helicopter Replacement Fund Transfer

Provision in the Bill: Authorizes the transfer of $52,700,000 from the State Police Helicopter Replacement Fund (SPHRF) to the general fund by June 30, 2009.

Agency: Maryland State Police

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev.	$52.7	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $52.7 million in fiscal 2009 due to the transfer. As of January 31, 2009, the balance in SPHRF totaled $52.7 million. The transfer will deplete the fund entirely.

Recent History: Chapter 416 of 2006 established SPHRF for the procurement of new helicopters, auxiliary helicopter equipment, ground support equipment, and other capital equipment. SPHRF consists of revenues from a $7.50 surcharge assessed for certain traffic convictions and $50.0 million in fiscal 2008 sales tax revenues as required under Chapter 414 of 2008. Chapter 414 also required the Governor to include a total of $70.0 million for the purchase of Med-Evac helicopters in the fiscal 2010, 2011, and 2012 State budgets from any funds that receive revenues from the sales and use tax (primarily the general fund and the Transportation Trust Fund). Authorized capital debt and transfers from the Maryland Automobile Insurance Fund may also be used to satisfy the $70.0 million requirement.

The 2009 capital budget includes $52.5 million in general obligation (GO) bonds for the purchase of three Med-Evac helicopters in fiscal 2010 and projects GO bond funding for SPHRF in fiscal 2011 through 2014.

Location of Provision(s) in the Bill: Section 4 (p. 54)

Analysis prepared by: Jennifer B. Chasse and Chantelle M. Green

Vehicle Theft Prevention Fund Transfer

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Vehicle Theft Prevention Fund to the general fund by June 30, 2009.

Agency: Maryland State Police

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$1.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.0 million in fiscal 2009 due to the transfer. Future years are not affected. Following the transfer, the remaining balance in the Vehicle Theft Prevention Fund will total an estimated $1.5 million. The transfer is not expected to materially impact expenditures from the fund.

Local Effect: The State Police do not expect the transfer to affect the ability of the Maryland Vehicle Theft Prevention Council to fund local grants in 2009 or 2010.

Program Description: The Maryland Vehicle Theft Prevention Council is statutorily charged with assisting local jurisdictions with the highest incidence of vehicle thefts in prevention and deterrence efforts. Grants from the fund are made to “enhance and complement” existing resources.

Recent History: The Vehicle Theft Prevention Fund receives $2.0 million annually from penalties paid by uninsured motorists. The appropriation to the fund was $2.5 million in each of fiscal 2008, 2009, and 2010.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Guy Cherry and Chantelle Green

University System of Maryland Fund Balance Transfer

Provision in the Bill: Authorizes the transfer of $29,000,000 from University System of Maryland (USM) fund balances to the general fund by June 30, 2009.

Agency: University System of Maryland

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$29.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $29.0 million in fiscal 2009. An estimated $95.0 million remains in the USM fund balances after the transfer.

Program Description: The USM fund balance is maintained to protect individuals who hold USM-issued bonds, to fund capital needs, and to preserve the system's credit rating. Fund balance reductions will be allocated to the 11 USM universities, 2 USM research centers, and the USM system office based on the distribution of general funds to the entities.

Location of Provision(s) in the Bill: Section 4 (p. 54)

Analysis prepared by: Caroline L. Boice and Sara J. Baker

Injured Workers' Insurance Fund Balance Transfer

Provision in the Bill: Authorizes transfer of $28,000,000 from the Injured Workers' Insurance Fund (IWIF) reserve to the general fund by June 30, 2009.

Agency: Injured Workers' Insurance Fund

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev.	$28.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $28.0 million in fiscal 2009 due to the transfer of funds from the IWIF reserve. Future years are not affected. The remaining IWIF fund balance following the transfer is expected to be more than $10 million.

When prompted, the State must reimburse the federal government for workers' compensation payments transferred to the general fund that were contributed for federal workers in the State. The anticipated federal refund is $1.2 million.

Program Description: The special fund reserve is maintained by IWIF to cover liabilities the State may incur under its self-insured workers' compensation program that IWIF administers on behalf of the State. The funds in this account are funds of the State; therefore, the $28.0 million transfer has no effect on IWIF or any private employers insured by IWIF.

The estimated long-term liability of the State was $270.1 million as of June 2008. The fund balance as of June 30, 2008, was $33.4 million or about $12.4% of the liability. As of December 31, 2008, the balance of the fund was $38.7 million. Liability payments are not made from the fund; however, the fund is designed to support liability payments in the event of a shortfall.

Recent History: In fiscal 2003 and 2004 the State transferred a total of $114.2 million from the IWIF reserve to the general fund. In fiscal 2008, the State refunded about $3.9 million, or 3.4%, to the federal government as a reimbursement for its portion of the workers' compensation payments that were moved from the special fund to the general fund.

Location of Provision(s) in the Bill: Section 4 (p. 54)

Analysis prepared by: Michael T. Vorgetts and Dylan Baker

Maryland Trauma Physician Services Fund Transfer

Provision in the Bill: Authorizes the transfer of $17,000,000 from the Maryland Trauma Physician Services Fund to the general fund by June 30, 2009.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
			($ in millions)			
GF Rev.	$17.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $17.0 million in fiscal 2009 due to the transfer. Future years are not affected. Following the transfer, the remaining balance in the Maryland Trauma Physician Services Fund will be an estimated $3.7 million.

Program Description: The Maryland Trauma Physician Services Fund was established in 2003 to subsidize uncompensated and undercompensated care provided by trauma physicians; costs incurred by trauma centers to maintain trauma physicians on-call; and the costs to administer and audit reimbursement requests. The fund is financed by a $5 surcharge on all Maryland vehicle registrations.

Recent History: Payments from the Maryland Trauma Physician Services Fund were below revenues in the first three years, resulting in a significant surplus. Thus, Chapter 484 of 2006 and Chapter 238 of 2008 expanded eligibility for reimbursement from the fund and changed the fund's reimbursement rates. Together, these acts have brought expenditures from the fund in line with revenues. The fund receives approximately $12.0 million annually in revenues.

Location of Provision(s) in the Bill: Section 4 (p. 54)

Analysis prepared by: Jennifer B. Chasse and Kathleen K. Wunderlich

State Medical Boards Fund Balance Transfers

Provision in the Bill: Authorizes transfers to the general fund of $3,200,000 from the Board of Physicians Fund and $500,000 from the Board of Nursing Fund by June 30, 2009.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$3.7	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $3.7 million in fiscal 2009 due to the transfers. Future years are not affected. The transfers will leave $3.1 million in the Board of Physicians Fund and $1.0 million in the Board of Nursing Fund and will not affect the operations of either board.

Program Description: Each of the two boards is 100% special funded through licensing fee revenues, which each board uses to license and regulate professionals in its field. Board activities include adopting regulations and standards of practice, verifying continuing education requirements and credentials, issuing licenses and certificates, investigating complaints, and disciplining licensees.

Location of Provision(s) in the Bill: Section 4 (pp. 55 and 56)

Analysis prepared by: Sarah Volker

Maryland Health Care Commission Fund Transfer

Provision in the Bill: Authorizes the transfer of $2,000,000 from the Maryland Health Care Commission Fund to the general fund in fiscal 2009.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$2.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.0 million in fiscal 2009 due to the transfer. Future years are not affected. Following the transfer, the remaining fund balance for the Maryland Health Care Commission Fund will be an estimated $2.2 million.

Program Description: The Maryland Health Care Commission is an independent commission within the Department of Health and Mental Hygiene with the purpose of improving access to affordable health care; reporting information relevant to the availability, cost, and quality of health care statewide; and developing benefits for the small group health insurance market. The Maryland Health Care Commission Fund consists of user fees assessed on health care payors, hospitals, nursing homes, and practitioners.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Jennifer B. Chasse and Kathleen K. Wunderlich

State Insurance Trust Fund Transfer

Provision in the Bill: Authorizes the transfer of $10,000,000 from the State Insurance Trust Fund to the general fund by June 30, 2009.

Agency: Office of the State Treasurer

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$10.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $10.0 million in fiscal 2009 due to the transfer. Future years are not affected. The transfer will reduce the estimated balance on June 30, 2009 to $23.8 million, which is $3.6 million below the actuarial recommended fund balance.

Program Description: The State Insurance Trust Fund is used to pay claims under the State’s self-insurance program and to purchase commercial insurance to cover catastrophic property and liability losses. State agency budgets include funding for insurance premiums, which are deposited into the State Insurance Trust Fund.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $5.0 million from the State Insurance Trust Fund to the general fund in fiscal 2002.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Steven D. McCulloch and Jason F. Weintraub

State Self-insured Unemployment Insurance Reserve Transfer

Provision in the Bill: Authorizes the transfer of $10,000,000 by June 30, 2009, from the self-insured monies held in reserve by the State to pay unemployment compensation benefits for State employees.

Agency: Department of Budget and Management

Type of Action: Fund balance transfer

Fiscal Impact:	***($ in millions)*** **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$10.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $10.0 million in fiscal 2009 due to the transfer. Future years are not affected. Following the transfer, the fund will be left with approximately $7.7 million.

When prompted, the State must reimburse the federal government for its contributions into the reserve for federally funded positions in State service. The anticipated federal reimbursement would be approximately 9.0% of the total transfer, or $900,000.

Program Description: The Department of Budget and Management maintains a self-insured reserve to pay primary and secondary unemployment benefits for former State employees.

Recent History: In fiscal 2009, a charge of $0.10 for every $100 of payroll is being collected, yielding approximately $5.0 million annually to offset annual payouts of unemployment compensation benefits approaching $9.0 million per year. Due to higher payroll charges in prior fiscal years that led to the accumulation of a balance, the charge is yielding lower revenues than necessary to match fiscal 2009 expenditures. Even with the transfer, a reserve of $7.7 million is anticipated at the end of fiscal 2009, enough to hold the $0.10 charge stable for fiscal 2010 and 2011.

Location of Provision(s) in the Bill: Section 4 (p. 56)

Analysis prepared by: Dylan R. Baker

Uninsured Account of the Maryland Automobile Insurance Fund Transfer

Provision in the Bill: Authorizes the transfer of $7,000,000 from the Uninsured Account of the Maryland Automobile Insurance Fund (MAIF) to the general fund by June 30, 2009.

Agency: Maryland Automobile Insurance Fund

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$7.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $7.0 million in fiscal 2009 due to the transfer. Future years are not affected. The transfer will reduce the estimated closing fiscal 2009 balance in the account to $4.2 million. MAIF advises that the proposed transfer will negatively impact investment income for 2009 and future years until the surplus increases to a similar level.

Program Description: The Uninsured Division of MAIF exists to compensate qualifying individuals who file accident-related claims against unidentified, disappearing, or unavailable and uninsured vehicles. Revenues for the MAIF uninsured account consist of recoveries from uninsured at-fault parties, uninsured motorist fines, and interest earnings.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $20.0 million from the MAIF Uninsured Division to the general fund in fiscal 2002.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Jason F. Weintraub and Tonya D. Zimmerman

Maryland Economic Development Assistance Authority Fund Transfer

Provision in the Bill: Authorizes the transfer of $6,000,000 per year from the Maryland Economic Development Assistance Authority Fund (MEDAAF) to the general fund in fiscal 2009 and 2010.

Agency: Department of Business and Economic Development

Type of Action: Fund balance transfers

Fiscal Impact:	***($ in millions)*** **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$6.0	$6.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $6.0 million annually in fiscal 2009 and 2010 due to the transfers. Future years are not affected. Following the fiscal 2009 transfer authorized by the bill, the ending fund balance for MEDAAF is expected to be $21.8 million, just enough to cover expected fiscal 2010 expenditures. Assuming approximately $7.5 million in fiscal 2010 loan repayments, interest income, investment returns, and other revenues, the ending fiscal 2010 fund balance for MEDAAF will be $1.5 million after the second $6.0 million transfer.

Local Effect: Distressed counties, as defined by law, are one of the primary recipients of funding from MEDAAF. As such, a transfer from MEDAAF reduces the potential funding that distressed counties may receive.

Program Description: MEDAAF provides grants and below-market, fixed-rate financing for local, regional, or statewide development opportunities, for local government assistance, or for targeted industries and funding initiatives.

Recent History: The opening fiscal 2009 fund balance for MEDAAF was $45.0 million.

Location of Provision(s) in the Bill: Sections 4 and 5 (pp. 55 and 56)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

Economic Development Opportunities Program Account Transfer

Provision in the Bill: Authorizes the Governor to transfer $5,000,000 from the Economic Development Opportunities Program Account (Sunny Day Fund) to the general fund by June 30, 2009.

Agency: Department of Business and Economic Development

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions)					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$5.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.0 million in fiscal 2009 due to the transfer. Future years are not affected. The transfer would leave approximately $605,000 in the Sunny Day Fund at the end of fiscal 2009. The Sunny Day Fund is not expected to be utilized in fiscal 2010.

Local Effect: Local governments are authorized to receive loans or grants from the Sunny Day Fund and the interests of local government programs and economic development must be considered before transferring money from the fund. Reductions to the fund may result in fewer grants and loans to local governments.

Program Description: The Sunny Day Fund provides conditional loans and investments to take advantage of extraordinary economic development opportunities, defined in part as those situations that create or retain substantial numbers of jobs and where considerable private investment is leveraged.

Recent History: The opening fund balance for the Sunny Day Fund increased from $6.7 million in fiscal 2008 to approximately $22.5 million in fiscal 2009, of which $5.6 million is uncommitted and otherwise available.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

Central Collection Fund Transfers and Sweeper

Provision in the Bill: Authorizes the transfer of $5,000,000 from the Central Collection Fund (CCF) to the general fund by June 30, 2009, and the transfer of $10,000,000 from CCF to the general fund by June 30, 2010. Beginning in fiscal 2011, any balance in the fund that exceeds 10% of the operating costs for the Central Collection Unit (CCU) at the end of the fiscal year automatically reverts to the general fund.

Agency: Department of Budget and Management

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$5.0	$10.0	$14.5	$7.2	$7.4	$7.6

State Effect: General fund revenues increase by $5.0 million in fiscal 2009 and by $10.0 million in fiscal 2010 due to the transfers.

Beginning in fiscal 2011, general fund revenues increase in accordance with the new automatic reversion in the bill. Even with a $5.0 million transfer in fiscal 2009 and a $10.0 million transfer in fiscal 2010, the CCF fund balance is projected to be $8.7 million by the end of fiscal 2010. With the transfer of the remaining funds and additional profits accumulated during fiscal 2011, general fund revenues are estimated at $14.5 million for fiscal 2011. As required, 10% of the fiscal 2011 operating costs for CCU will remain in CCF at the end of the fiscal year.

Beginning in fiscal 2012, annual general fund revenues from CCF will be more stable and are estimated at $7.2 million in fiscal 2012, $7.4 million in fiscal 2013, and $7.6 million in fiscal 2014. These estimates assume 3% annual growth in CCU operating costs and CCF revenues.

Program Description: CCU collects delinquent debts, claims, and accounts due to State government. The collections are deposited in CCF.

Recent History: Collections generated by CCU exceeded operating costs by $8.1 million in fiscal 2007 and by $8.2 million in fiscal 2008. These funds are deposited into the CCF, which retains the funds unless they are spent or transferred into the general fund. The funds can only be transferred by legislation. The fund balances had grown to $41.7 million at the end of fiscal 2008. Most recently, Chapter 417 of 2008 transferred $25.0 million from CCF into the general fund in fiscal 2009. Since then, balances have continued to build and funds are available for transfer.

Location of Provision(s) in the Bill: Sections 1, 4, and 5 (pp. 35, 55, and 56)

Analysis prepared by: Patrick Frank

Senior Prescription Drug Program Account Transfer

Provision in the Bill: Authorizes the transfer to the general fund of all the remaining funds from the defunct Senior Prescription Drug Program, including interest, that have accrued to the Senior Prescription Drug Assistance Program account. This transfer must occur after the $425,000 transfer to the Maryland Medbank Program required under Chapter 453 of 2008.

Agency: Maryland Health Insurance Plan

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$2.7	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.7 million in fiscal 2009 due to the transfer. Future years are not affected.

Recent History: Section 4 of Chapter 345 of 2006 prohibited the Maryland Health Insurance Plan from spending any remaining funds from the Senior Prescription Drug Program that may accrue to Senior Prescription Drug Assistance Program without the approval of the General Assembly. Chapter 453 of 2008 authorized up to $425,000 in funds that have accrued to the Senior Prescription Drug Assistance Program account to be transferred and appropriated to the Department of Health and Mental Hygiene for a grant to the Maryland Medbank Program in fiscal 2009.

The Senior Prescription Drug Assistance Program receives a total of $17.0 million in funding annually from CareFirst, which subsidizes the program as a condition of its exemption from the insurance premium tax.

Location of Provisions in the Bill: Section 4 (p. 56)

Analysis prepared by: Jennifer B. Chasse and Alison Mitchell

Oil Disaster Containment, Clean-Up and Contingency Fund Transfer

Provision in the Bill: Authorizes the transfer of $2,006,000 from the Oil Disaster Containment, Clean-up and Contingency Fund to the general fund by June 30, 2009.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$2.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.0 million in fiscal 2009 due to the fund balance transfer. Future years are not affected. Following the transfer, the ending fiscal 2009 fund balance for the Oil Disaster Containment, Clean-up and Contingency Fund is estimated at $2.8 million and is sufficient to support projected fiscal 2010 expenditures from the fund when combined with its expected revenues.

Program Description: The Oil Disaster Containment, Clean-up and Contingency Fund provides funds to contain, clean-up, and remove discharges of oil and to restore land and water resources damaged by oil discharges. The State obtained a $4.0 million civil action penalty from ExxonMobil Corporation on September 15, 2008. The violation was for an underground pipe leaking gasoline at a service station in the Jacksonville area of Baltimore County. The civil action penalty has been described as the largest environmental penalty ever instituted by the Maryland Department of the Environment, and the penalty revenue was received by the Oil Disaster Containment, Clean-up and Contingency Fund. The fund also receives revenues of $0.04 for each barrel of oil transferred in the State. The fund balance is capped at $5.0 million.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Evan Isaacson and Andrew Gray

Small Business Pollution Compliance Loan Fund Transfer

Provision in the Bill: Authorizes the transfer of $277,785 from the Small Business Pollution Compliance Loan Fund to the general fund by June 30, 2009.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$277,785	0	0	0	0	0

State Effect: General fund revenues increase by $277,785 in fiscal 2009 due to the transfer. Future years are not affected. Following the transfer, the fund balance for the Small Business Pollution Compliance Loan Fund will total approximately $19,000. No expenditures from the fund are anticipated for fiscal 2010.

Recent History: The Small Business Pollution Compliance Loan Fund provides loans to small businesses for upgrade and replacement of capital equipment necessary for compliance with air emission standards. One loan has been completed to date. The estimated ending balance for fiscal 2010 is expected to be about $39,000 given $20,000 in projected revenue from loan repayments and interest earnings.

Location of Provision(s) in the Bill: Section 4 (p. 56)

Analysis prepared by: Evan Isaacson and Andrew Gray

Insurance Regulation Fund Transfer

Provision in the Bill: Authorizes the transfer of $1,605,035 from the Insurance Regulation Fund to the general fund by June 30, 2009.

Agency: Maryland Insurance Administration

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$1.6	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.6 million in fiscal 2009 due to the transfer. Future years are not affected. The transfer will reduce the estimated fiscal 2009 ending balance from $3.1 million to $1.5 million. The Maryland Insurance Administration (MIA) is required to maintain a 5% reserve in the Insurance Regulation Fund, which amounts to $1.3 million in fiscal 2010.

Program Description: Chapter 774 of 1998 established the Insurance Regulation Fund to pay all costs and expenses incurred by MIA associated with regulating the insurance activities of licensed insurers in the State.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $2.0 million from the Insurance Regulation Fund to the general fund in fiscal 2002.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Jason F. Weintraub and Alison Mitchell

School Bus Safety Enforcement Fund Transfer

Provision in the Bill: Authorizes the transfer of $900,000 from the School Bus Safety Enforcement Fund to the general fund by June 30, 2009.

Agency: Governor's Office of Crime Control and Prevention

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$900,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $900,000 due to the transfer. Future years are not affected. The transfer would leave an estimated balance of $102,557 in the School Bus Safety Enforcement Fund at the end of fiscal 2009.

Recent History: The School Bus Safety Enforcement Fund assists law enforcement agencies in addressing the problem of drivers illegally failing to stop for school vehicles. The fund was established in fiscal 2000 and was administered by the State Police until it was transferred to the Governor's Office of Crime Control and Prevention via Chapter 87 of 2008. The fund consists of a portion of the fines assessed on uninsured motorists, investment earnings, and any other money deposited to the fund. It receives about $600,000 from uninsured motorist penalties annually.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Guy Cherry and Richard Harris

State Department of Assessments and Taxation Special Administrative Fund Transfer

Provision in the Bill: Authorizes the transfer of $435,721 from a special administrative fund to the general fund**.**

Agency: State Department of Assessments and Taxation

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
			(in dollars)			
GF Rev	$435,721	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $435,721 in fiscal 2009 due to the transfer. Future years are not affected. Subsequent to the transfer, the balance will be $3.7 million.

Recent History: In March 2009, the Board of Public Works authorized the transfer of $435,721 from a State Department of Assessments and Taxation special administrative fund to the general fund. This action would permit that transfer. Revenues credited to the special fund are primarily generated from a 24-hour expedited service processing and recordation fee for corporate filings.

Location of Provision(s) in the Bill: Section 4 (p. 55)

Analysis prepared by: Chantelle M. Green

Catastrophic Event Account Transfer

Provision in the Bill: Authorizes the transfer of $7,398,109 from the Catastrophic Event Account to the general fund by June 30, 2010.

Agency: State Reserve Fund

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	$7.4	$0	$0	$0	$0

State Effect: General fund revenues increase by $7.4 million in fiscal 2010 due to the transfer. Future years are not affected. The Catastrophic Event Account will be left with a projected $1.0 million fund balance at the end of fiscal 2010.

Program Description: The Catastrophic Event Account in the State Reserve Fund was established to enable the State to respond to a natural disaster or other catastrophic situation that cannot be handled with resources regularly appropriated through the budget process. In recent years, funds have been withdrawn from the Catastrophic Event Account to support State responses to Hurricane Isabel, snow emergencies, and droughts.

Recent History: In addition to the Catastrophic Event Account, the State Reserve Fund includes the Rainy Day Fund and Dedicated Purpose Account. It is common practice to transfer funds from the Rainy Day Fund and the Dedicated Purpose Account into the general fund during recessions, but this would be the first transfer from the Catastrophic Event Account to the general fund.

Location of Provision(s) in the Bill: Section 5 (p. 56)

Analysis prepared by: Patrick Frank

Local Share of Highway User Revenues

Provision in the Bill: Reduces the local share of highway user revenues by $161,920,000 in fiscal 2010 and by $101,920,000 in fiscal 2011. These funds are instead transferred to the general fund. The municipalities will share in the first $26.0 million of the decreases specified for the 23 counties at the sharing rates provided under the existing formula. After the first $26.0 million, the reductions will only affect county revenues; municipalities will incur no additional revenue losses.

Beginning in fiscal 2012, the proportion of highway user revenues distributed to Baltimore City and the counties and municipalities decreases from 30% to 28.5%.

Agency: Maryland Department of Transportation

Type of Action: Fund transfer; special fund mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	$161.9	$101.9	$0	$0	$0
SF Exp	0	(161.9)	(101.9)	0	0	0

State Effect: Special fund expenditures decrease by $161.9 million in fiscal 2010 and by $101.9 million in fiscal 2011, with the funding transferred to the general fund. General fund revenues increase by corresponding amounts in fiscal 2010 and 2011.

In fiscal 2012 and thereafter, the State's Transportation Trust Fund retains a greater portion of transportation revenues and counties will receive a smaller share due to the change in the percentage of highway user revenues distributed to local jurisdictions. Although this will shift approximately $25 million to $30 million per year in special fund expenditures from local aid to State transportation spending, there will be no net change in special fund expenditures.

Local Effect: State aid for local transportation related costs decreases by $161.9 million in fiscal 2010 and by $101.9 million in fiscal 2011. The county and municipality shares of the decrease are displayed in **Exhibit A1**. The fiscal 2010 distribution of the reduction is shown by county in **Appendix C2**. Beginning in fiscal 2012, State transportation aid to local governments decreases by $25 million to $30 million annually.

Exhibit A1
Impact of Reduction to Highway User Revenues on Counties and Municipalities
Fiscal 2010

County	County's Reduction	Municipalities' Reduction	Total Reduction
Allegany	($1,948,762)	($202,084)	($2,150,846)
Anne Arundel	(16,902,481)	(153,413)	(17,055,894)
Baltimore City	(22,834,424)	0	(22,834,424)
Baltimore	(19,658,194)	0	(19,658,194)
Calvert	(2,922,399)	(48,152)	(2,970,551)
Caroline	(1,498,578)	(77,725)	(1,576,303)
Carroll	(5,018,861)	(212,372)	(5,231,233)
Cecil	(2,890,671)	(104,041)	(2,994,712)
Charles	(4,070,762)	(58,406)	(4,129,168)
Dorchester	(1,618,766)	(107,973)	(1,726,739)
Frederick	(6,903,242)	(408,255)	(7,311,497)
Garrett	(1,866,098)	(76,787)	(1,942,885)
Harford	(6,161,196)	(160,596)	(6,321,792)
Howard	(7,162,732)	0	(7,162,732)
Kent	(905,843)	(48,118)	(953,961)
Montgomery	(22,763,926)	(559,684)	(23,323,610)
Prince George's	(14,644,216)	(744,142)	(15,388,358)
Queen Anne's	(2,124,993)	(29,258)	(2,154,251)
St. Mary's	(2,915,369)	(10,704)	(2,926,073)
Somerset	(921,495)	(36,389)	(957,884)
Talbot	(2,027,187)	(112,505)	(2,139,692)
Washington	(4,149,104)	(247,785)	(4,396,889)
Wicomico	(2,779,724)	(164,928)	(2,944,652)
Worcester	(3,528,915)	(137,745)	(3,666,660)
Total	**($158,217,937)**	**($3,701,063)**	**($161,919,000)**

Program Description: Under current law, Baltimore City, counties, and municipalities receive 30% of specified transportation revenues to support the construction and maintenance of local roads and other transportation facilities. This action reduces the fiscal 2010 level of funding provided through the highway user revenues formula to 23.5% and then subtracts another $60.0 million based on local wealth (80% of the additional $60.0 million reduction, or $48.0 million) and local income tax effort ($12.0 million). The $161.9 million reduction decreases the total local share of highway user revenues to an estimated $308.5 million for fiscal 2010: $166.4 million for Baltimore City; $105.7 million for the counties; and $36.4 million for municipalities.

Recent History: During the 2003, 2004, and 2005 sessions a total of $271.2 million was transferred from the local share of highway user revenues to the general fund through budget reconciliation legislation. Specifically, Chapter 203 of 2003 transferred $17.9 million in fiscal 2003 and $102.4 million in fiscal 2004. In addition, a transfer of $51.2 million was authorized for fiscal 2004. Chapter 430 of 2004 then increased the authorized level of the fiscal 2004 transfer by $51.2 million, resulting in a total transfer of $102.4 million. Finally, Chapter 444 of 2005 transferred $48.5 million of highway user revenues to the general fund. Previous reductions have been calculated through the highway user revenues formula and have not incorporated local wealth and tax effort.

Location of Provisions in the Bill: Sections 12, 29, and 30 (pp. 57-59 and 63-65)

Analysis prepared by: Jonathan Martin

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provision in the Bill: Redirects $8,385,845 of the motor fuel tax and $13,100,711 of the short-term vehicle rental revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund for fiscal 2010.

Agency: Department of Natural Resources

Type of Action: Dedicated revenue relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	$21.5	$0	$0	$0	$0
SF Rev	0	(21.5)	0	0	0	0
SF Exp	0	(21.5)	0	0	0	0

State Effect: General fund revenues increase by $21.5 million and special fund revenues decrease by $21.5 million in fiscal 2010 due to the redirection of tax revenues that would otherwise be dedicated to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. Future years are not affected. The fiscal 2010 State budget includes a corresponding $21.5 million reduction in expenditures from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

Local Effect: Local government revenues from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grants may decrease due to the decrease in funding for the program.

Program Description: Chapter 6 of the 2007 special session established the Chesapeake Bay 2010 Trust Fund and set financing for the fund by dedicating a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. The fund was renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund by Chapters 120 and 121 of 2008, which also provided a framework for the use of the special funds and expanded the uses to include environmental programs targeting the Atlantic Coastal Bays. The BayStat Subcabinet administers the trust fund.

Recent History: Although the Governor's proposed fiscal 2009 budget included $50.0 million for the trust fund, budget reconciliation legislation reduced this amount to $25.0 million. The fiscal 2009 appropriation was further reduced to $20.0 million by the Board of Public Works in October 2008. In addition, revenues that support the trust fund have been coming in lower than anticipated. Revenues of approximately $9.6 million in fiscal 2009 are currently estimated for the fund.

Location of Provisions in the Bill: Section 1 (pp. 41-42)

Analysis prepared by: Amanda Mock and Andrew Gray

Lottery Agent Sales Commission

Provision in the Bill: Decreases lottery agent commissions from 5.5% to 5.0% of gross sales for fiscal 2010 through 2012.

Agency: State Lottery Agency

Type of Action: Commission decrease

Fiscal Impact:	($ in millions) **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	$8.6	$8.8	$9.0	$0	$0

State Effect: General fund revenues increase by $8.6 million in fiscal 2010 due to the reduction in lottery agent commissions. Fiscal 2011 and 2012 estimates reflect projected 2.5% annual increases in State lottery sales.

Recent History: Chapter 444 of 2005 increased lottery agent commissions from 5.0% to 5.5%, effective July 1, 2006. The lottery represents the third-largest source of general fund revenues for the State, generating approximately $450 to $500 million per year.

Location of Provision(s) in the Bill: Section 2 (p. 49)

Analysis prepared by: Scott P. Gates

Maryland-mined Coal Tax Credits

Provision in the Bill: Reduces to $4.5 million annually the maximum amount of tax credits that may be approved by the State Department of Assessments and Taxation for the purchase of Maryland-mined coal in tax years 2009 to 2012. The maximum credit amounts return to current law levels in tax year 2013.

Type of Action: Tax credit elimination

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	$4.5	$4.5	$1.5	$1.5	$0.0

State Effect: General fund revenues increase by $4.5 million in fiscal 2010 and 2011 and by $1.5 million in fiscal 2012 and 2013 due to the reduction in the maximum Maryland-mined coal tax credits. The existing tax credit program remains in place for tax year 2013 and beyond, and revenues are not affected after fiscal 2013.

Recent History: Maryland public service companies and specified co-generators and electricity suppliers can claim a $3 per ton credit for the amount of Maryland-mined coal purchased in a calendar year. Companies are not required to consume the coal in order to claim the credit. The credit can be claimed against the public service franchise tax and the State income tax. Chapter 247 of 2006 phased out the credits by capping the maximum amount of credits that can be claimed at $9.0 million annually in tax years 2007 to 2010, $6.0 million annually in tax years 2011 to 2014, and $3.0 million annually in tax years 2015 to 2020. The credit is scheduled to terminate after 2020.

Location of Provisions in the Bill: Section 1 (p. 42)

Analysis prepared by: Robert J. Rehrmann

American Recovery and Reinvestment Act Tax Provision Adjustments

Provision in the Bill: Overrides the State's automatic one-year income tax decoupling provision for three Internal Revenue Code (IRC) amendments enacted through the American Recovery and Reinvestment Act of 2009 (ARRA), while permanently decoupling from the deferral of cancellation of debt income (CODI) provisions in ARRA. In addition, the bill clarifies the State's extended net operating loss carryback period for income tax modification purposes and decouples from ARRA provisions relating to net operating loss carryovers.

Type of Action: Adjustment to State tax laws in response to ARRA

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	($4.6)	($29.5)	$0	$0	$0	$0

State Effect: General fund revenues decrease by $4.6 million in fiscal 2009 and by $29.5 million in fiscal 2010 due to the suspension of the automatic decoupling provision for three temporary ARRA tax relief provisions: an expansion in the earned income credit (EIC); enhanced income tax deductibility of motor vehicle excise taxes; and a $2,400 income tax deduction for unemployment insurance payments. Fiscal 2009 is affected by potential adjustments to income tax withholding policies. Future years are not affected since State tax laws would have aligned with the federal tax benefits after tax year 2009 even without this provision.

Permanent decoupling from the CODI provisions in ARRA will not directly impact expected general fund revenues but will improve revenue stability. The Comptroller's Office estimates that Maryland corporate income tax revenues could have declined by up to $116.0 million in fiscal 2010 and by $69.6 million in fiscal 2011 without the decoupling, with an equivalent revenue increase in future fiscal years when CODI is once again recognized as taxable income.

The adjustments to the State's extended net operating loss carryback period are technical and therefore do not affect State revenues.

Local Effect: Local income tax revenues decrease by an estimated $3.0 million in fiscal 2009 and $10.3 in fiscal 2010 due to an increase in local earned income credits and increased local income tax deductions resulting from the enhanced car sales tax deduction. In addition to the local nonrefundable earned income credit that is applied to local income taxes in each county, Montgomery County has a local EIC grant program based on the State's refundable EIC. Payments for Montgomery County's EIC grant are made in the fiscal year following the fiscal year in which the returns are filed. Accordingly, Montgomery County expenditures will increase in fiscal 2011.

Program Description: On February 17, 2009, ARRA was signed into law. The purposes of the Act are to promote economic recovery, assist those most impacted by the recession, and stabilize state and local government budgets.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) established the automatic one-year decoupling provision. Within 60 days after an amendment of the IRC is enacted, the Comptroller must submit a report to the Governor and the General Assembly that outlines the changes in the IRC, the impact on State revenues, and how different types of taxpayers will be affected. If the Comptroller determines that the federal tax change will impact State revenues by at least $5 million (positive or negative) in the fiscal year that begins during the calendar year in which the federal tax change was enacted, the federal tax change does not apply for Maryland income tax purposes for any taxable year that begins in the calendar year in which the federal tax change is enacted. After the first tax year, amendments to the IRC apply for Maryland income tax purposes unless otherwise explicitly provided by law.

Under current federal law, a taxpayer generally has income when the taxpayer cancels or repurchases its debt for an amount less than its adjusted issue price. The amount of cancellation of debt income ("CODI") is the difference between the old debt's adjusted issue price and the repurchase price. ARRA allows certain businesses to recognize CODI over 10 years (defer tax on CODI for the first four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008, and before January 1, 2011. The bill will permanently decouple the State income tax from the CODI provisions in ARRA.

Location of Provision(s) in the Bill: Sections 2, 24, 47, and 48 (pp. 49-50, 61, and 70-71)

Analysis prepared by: Robert J. Rehrmann

Program Open Space Transfers and Fund Swaps

Provision in the Bill: Authorizes the transfer of $70,000,000 in unencumbered funds for State land acquisition from Program Open Space (POS) to the general fund by June 30, 2009. The transfer may not be taken into account for purposes of determining any allocation or appropriation required for the State transfer tax.

In addition, the transfer of $71,300,000 in fiscal 2009 POS State land acquisition funding to the general fund is authorized, as is the transfer of $30,971,139 in fiscal 2010 transfer tax revenues funding Rural Legacy ($11,812,252), POS Capital Improvements ($6,159,107), and the Maryland Agricultural Land Preservation Foundation ($12,999,780). These transfers are contingent on the creation of general obligation (GO) debt to replace the funds.

For fiscal 2011 through 2013, continued authorization is provided to use general obligation bonds in place of State transfer tax revenues for capital-eligible programs, provided that bonds are authorized to replace transferred funds on a one-for-one basis. The State may then direct transfer tax revenues to the general fund without the need for budget reconciliation legislation.

Agency: Department of Natural Resources; Department of Agriculture

Type of Action: Fund balance transfers; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$141.3	$31.0	$0	$0	$0	$0
SF Exp	0	(31.0)	0	0	0	0
Bond Exp	0	102.3	0	0	0	0

State Effect: General fund revenues increase by a total of $141.3 million in fiscal 2009 due to the $70.0 million fund balance transfer and the transfer of an additional $71.3 million that will be replaced with GO bonds. In fiscal 2010, general fund revenues increase by $31.0 million due to the crediting of transfer tax revenues to the general fund contingent on passage of this legislation. Special fund expenditures decrease by the same amount, and GO bond expenditures increase by $102.3 million contingent on passage of the capital budget bill (HB 102) authorizing the debt. The $102.3 million in bond expenditures replaces $71.3 million in land acquisition funds and $31.0 million in Rural Legacy, POS capital, and agricultural land preservation funds.

This pattern of general fund revenue increases coupled with special fund expenditure reductions and bond expenditure increases could continue from fiscal 2011 to 2013 due to the authorization granted by the bill. The actual increases and decreases, if any, will be determined by budget actions in those fiscal years.

Local Effect: There is no local effect. The $70.0 million fund balance transfer is from the State share of land acquisition POS funds and all other transfers are replaced with an equal amount of GO bond expenditures.

Program Description: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another has been used to fund several programs in the Department of Natural Resources (DNR) and the Maryland Department of Agriculture. Before any program-specific allocations are made, 3% of the transfer tax revenue is distributed to DNR and the other agencies involved in Program Open Space for their administration of the program.

Approximately 76% of the remaining transfer tax has historically been allocated to POS, which has two components: a State share and a local share. All other funds are allocated to the Rural Legacy Program, agricultural land preservation, and the Heritage Conservation Fund.

Recent History: State transfer tax revenues were directed to the general fund between fiscal 2003 and 2006. However, a portion of the amount directed to the general fund was replaced with general obligation bond authorizations. No State transfer tax revenues have been directed to the general fund since fiscal 2006.

Location of Provision(s) in the Bill: Sections 1 and 31-33 (pp. 30-31, 44-45, and 66-67)

Analysis prepared by: Matt Klein and Andrew Gray

InterCounty Connector Funding

Provision in the Bill: Alters the timing of support for the InterCounty Connector (ICC) by eliminating the fiscal 2009 payment of $85,000,000; decreasing the fiscal 2010 payment from $63,000,000 to $55,000,000; and increasing the fiscal 2011 payment from $63,913,000 to $156,913,000. The bill also authorizes the use of general obligation (GO) bonds instead of general funds for these ICC payments and authorizes the fiscal 2009 transfer to the general fund of $65,000,000 that is currently in the Dedicated Purpose Account (DPA) for the fiscal 2009 ICC payment.

Agency: Maryland Department of Transportation

Type of Action: Fund balance transfer; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$65.0	$0	$0	$0	$0	$0
GF Exp	0	(63.0)	(63.9)	0	0	0
GO Bonds	0	55.0	156.9	0	0	0

State Effect: General fund revenues increase by $65.0 million in fiscal 2009 due to the transfer of funds that are no longer needed for the ICC from the DPA. General fund expenditures for the ICC decrease by $63.0 million in fiscal 2010, and GO bond expenditures increase by $55.0 million to make the required ICC payment under the new schedule. The General Assembly deleted $63.0 million in general funds budgeted for the ICC in fiscal 2010, and the fiscal 2010 capital budget includes $55.0 million in GO bonds for the payment identified in the bill.

Assuming the ICC is funded with GO bonds again in fiscal 2011, general fund expenditures decrease by $63.9 million and bond expenditures increase by $156.9 million.

Program Description: The ICC will be an 18.8-mile, controlled access highway connecting the I-270/I-370 corridor in Montgomery County with the I-95/US 1 corridor in Prince George's County. The six-lane (three each way) highway will be the State's first fully electronic toll facility and the first to utilize congestion pricing, where toll rates vary based on time of day.

Recent History: Chapter 203 of 2003 transferred $314.9 million from the Transportation Trust Fund (TTF) to the general fund to address a budget shortfall. Chapter 430 of 2004 amended the Rainy Day statute to provide for repayment of not more than $50.0 million per year to the TTF in years of general fund surpluses. In fiscal 2006, repayment of $50.0 million was made to the TTF under this provision. Chapters 471 and 472 of 2005 directed that the remaining balance of $264.9 million be paid to Maryland Transportation Authority (MdTA) for construction of the ICC.

In fiscal 2007, $53.0 million was paid to MdTA under the provisions in Chapters 471 and 472. In fiscal 2008, the legislature deleted the $53.0 million that the Governor included in the budget for MdTA, providing no payment in that year. Chapter 567 of 2008 altered the timing of payments from the general fund to MdTA, contingent on legislation creating an income tax bracket for individuals with adjusted gross incomes of $1 million or more. Passage of that legislation (Chapter 10 of 2008) put the following payment schedule into effect: $85.0 million in fiscal 2009, $63.0 million in fiscal 2010, and $63.9 million in fiscal 2011.

In October 2008, the Governor withdrew $20.0 million from the fiscal 2009 ICC appropriation through the Board of Public Works. This bill transfers the other $65.0 million appropriated in fiscal 2009 to the general fund and replaces the remaining $211.9 million pledged for the project in fiscal 2010 and 2011.

Location of Provisions in the Bill: Sections 1 and 4 (pp. 45 and 54)

Analysis prepared by: Jaclyn Dixon and Amanda Mock

Community Health Resources Commission Fund and Primary Adult Care Program

Provision in the Bill: Authorizes the transfer of $12,100,000 from the Maryland Community Health Resources Commission Fund to the general fund by June 30, 2009. In addition, the bill authorizes the use of $9,100,000 in CareFirst's premium tax exemption subsidies for the Primary Adult Care Program (PAC) in fiscal 2010.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$12.1	$0	$0	$0	$0	$0
GF Exp	0	(9.1)	0	0	0	0

State Effect: General fund revenues increase by $12.1 million in fiscal 2009 due to the fund balance transfer. Following the transfer, the ending fiscal 2009 fund balance for the Maryland Community Health Resources Commission Fund will be approximately $3.0 million.

In fiscal 2010, special fund subsidies resulting from the CareFirst premium tax exemption that would be provided to Maryland Community Health Resource Commission (MCHRC) under current law will instead be used to subsidize PAC. This action reduces the general fund spending requirement for PAC by $9.1 million in fiscal 2010. The fiscal 2010 State budget includes a $9.1 million general fund reduction for PAC that is contingent on the enactment of legislation authorizing the reallocation of CareFirst subsidies. Future years are not affected.

Program Description: As a condition of earning its premium tax exemption, CareFirst must subsidize the Senior Prescription Drug Assistance Program (SPDAP) and MCHRC. SPDAP receives a $14.0 million annual subsidy, which remains unaffected by this bill. MCHRC typically receives the balance of premium tax funds, less the subsidies provided for the Maryland Pharmacy Discount Program and the unified data information system (UDIS).

MCHRC was established in 2005 to increase access to health care for lower-income individuals and to provide resources to community health resource centers. The Maryland Community Health Resources Commission Fund is used to award grants, cover administrative costs, and maintain UDIS.

PAC provides primary care, pharmacy, and outpatient mental health benefits to individuals aged 19 and older with incomes up to 116% of the federal poverty guidelines. For fiscal 2009, PAC enrollment is approximately 40,000 individuals.

Location of Provision(s) in the Bill: Sections 4 and 26 (pp. 55 and 62)

Analysis prepared by: Jennifer B. Chasse and Kathleen K. Wunderlich

Prince George's County Health Care System

Provision in the Bill: Authorizes the transfer of $12,000,000 in fiscal 2010 from the Health Care Coverage Fund (HCCF) to the Department of Health and Mental Hygiene (DHMH) for a required operating grant to the Prince George's County Hospital Authority (the Authority). As a result, an $8,000,000 payment from the Dedicated Purpose Account (DPA) to the Authority is not needed, and a fiscal 2009 transfer of these funds from the DPA to the State general fund is authorized.

Agency: Department of Health and Mental Hygiene and State Reserve Fund

Type of Action: Fund balance transfer; fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$8.0	$0	$0	$0	$0	$0
GF Exp	0	(4.0)	0	12.0	0	0
SF Exp	0	12.0	0	(12.0)	0	0

State Effect: General fund revenues increase by $8.0 million in fiscal 2009 due to the transfer from the DPA. Special fund expenditures increase by $12.0 million in fiscal 2010 to provide the payment to the Authority from HCCF special funds. This expenditure fulfills a required $12.0 million payment to the Authority and eliminates the need for a $4.0 million general fund expenditure that, with the $8.0 million in the DPA, would otherwise have fulfilled the obligation. A $12.0 million HCCF special fund appropriation for the Authority is included in the fiscal 2010 State budget.

The use of $12.0 million in HCCF special funds in fiscal 2010 will deplete the fund more rapidly, meaning an additional $12.0 million in general funds will be needed in fiscal 2012 to continue health care coverage that would otherwise be paid with special funds. There is no further impact expected after fiscal 2012.

Recent History: This action fulfills a commitment made by the State in Chapter 680 of 2008 to provide $12.0 million in operating grant support in each of fiscal 2009 and 2010 to the Authority. This action is part of an effort to place the Prince George's Health Care System on more solid financial footing. Chapter 680 established the Authority as a State entity to implement a competitive bidding process for transferring the system to new ownership. The State recently agreed to provide $75.0 million in operating and $24.0 million in capital support as part of that effort to seek new ownership, with Prince George's County matching the operating support. To date, however, new ownership has not been found.

HCCF was established to expand Medicaid eligibility, fund the Small Employer Health Benefit Plan Premium Subsidy Program, and support health care services in Prince George's County. HCCF consists primarily of hospital uncompensated care savings achieved under the health care expansion efforts enacted by Chapter 7 of the 2007 special session. The fiscal 2009 year end fund balance for HCCF is estimated at $108.8 million.

Location of Provisions in the Bill: Sections 1 and 4 (pp. 26-27 and 54)

Analysis prepared by: Jennifer B. Chasse and Simon G. Powell

Health Care Coverage Fund Reversion and Use for General Medicaid

Provision in the Bill: Reduces the fiscal 2009 appropriation to the Small Business Health Insurance Partnership by $13,500,000 and requires these funds to revert to the Health Care Coverage Fund (HCCF). In addition, the approved uses of HCCF are expanded to allow up to $53,500,000 from the fund to be used to cover provider reimbursements in the Medical Care Programs Administration in fiscal 2010 only.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal Impact:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	($ in millions)					
GF Exp	$0	($53.5)	$13.7	$39.8	$0	$0
SF Exp	(13.5)	53.5	(13.7)	(39.8)	0	0

State Effect: HCCF special fund expenditures decrease by $13.5 million in fiscal 2009 due to the reversion of funds budgeted for the Small Business Health Insurance Partnership. General fund expenditures decrease by $53.5 million in fiscal 2010 as special funds from HCCF are redirected to pay general fund Medicaid costs not previously authorized. Spending these funds in fiscal 2010 will result in less HCCF monies available for Medicaid costs in subsequent years. This will require general fund expenditure increases estimated at $13.7 million in fiscal 2011 and $39.8 million in fiscal 2012.

Recent History: Chapter 7 of the 2007 special session established HCCF to support an expansion of coverage under the State's Medicaid program to include parents, caretaker relatives, and childless adults with annual household incomes under 116% of the federal poverty level; to provide and administer health benefit plan premium subsidies through the Small Business Health Insurance Partnership; and to support the Prince George's County Healthcare System. HCCF consists of hospital uncompensated care assessment revenue and one-time special fund transfers from the Maryland Health Insurance Plan Fund and the Rate Stabilization Fund. Statute specifies that money from HCCF shall supplement and may not supplant funding for the Maryland Medical Assistance Program.

The Small Employer Health Insurance Partnership provides subsidies to small employers that have *not* offered small employer health benefit plans for at least 12 consecutive months. To be eligible for a subsidy, a small employer must have from two to nine eligible employees, meet salary and wage requirements established for the program, and offer a small employer health benefit plan to its employees. Enrollment in the program has been lower than expected.

Location of Provision(s) in the Bill: Sections 23 and 28 (pp. 61 and 63)

Analysis prepared by: Alison Mitchell

Cigarette Restitution Fund Mandates

Provision in the Bill: Reduces mandated fiscal 2010 and 2011 funding from the Cigarette Restitution Fund (CRF) for tobacco use prevention and cessation and academic health centers. Required annual funding for tobacco use prevention and cessation is reduced from $21,000,000 to $7,000,000. Required annual funding for academic health centers decreases from $15,400,000 to $9,850,000 and includes reductions for statewide academic health center cancer research grants (from $10,400,000 to $6,700,000); statewide academic health center tobacco-related diseases research grants (from $2,000,000 to $1,250,000); and statewide academic health center network grants (from $3,000,000 to $1,900,000).

Agency: Department of Health and Mental Hygiene

Type of Action: Special fund mandate relief; fund swap

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($19.2)	($19.6)	$0	$0	$0

State Effect: General fund expenditures decrease by $19.2 million in fiscal 2010 due to the use of CRF special funds to support programs that are otherwise supported with general funds. The general fund reduction is contingent on legislation relieving the CRF of the required spending levels and authorizing the processing of budget amendments to use $4.4 million from CRF for Medicaid and $14.8 million from CRF for the Breast and Cervical Cancer Diagnosis and Treatment Program.

The fiscal 2011 general fund expenditure decrease assumes that the full reductions in CRF spending for mandated programs will be used to support programs that are currently supported with general funds.

Local Effect: CRF funding for local tobacco use prevention and cessation programs decreases by $8.3 million per year in fiscal 2010 and 2011.

Program Description: The CRF Program receives a majority of its funding from payments made under the Master Settlement Agreement (MSA). Through the MSA, tobacco manufacturers participating in the settlement pay 46 states, 5 territories, and the District of Columbia about $206 billion over the next 25 years and beyond. In Maryland, funds in CRF must be used to support eight health- and tobacco-related priorities specified in statute.

The Tobacco Use Prevention and Cessation Program aims to reduce the use of tobacco products and to reduce the burden of tobacco-related morbidity and mortality in the State. The proposed decrease in support for these efforts effectively eliminates funding for the countermarketing, statewide public health, and minority outreach and technical assistance programs.

CRF funding for Statewide Academic Health Centers supports grants to State institutions for the purpose of enhancing cancer research that may lead to a cure for a targeted cancer and increase the rate at which cancer research translates into treatment protocols in the State.

Recent History: The statute mandating $21.0 million annually for Tobacco Use Prevention and Cessation Programs was initially put in place by Chapter 203 of 2003. From fiscal 2007 through 2009, these programs have been funded with a little more than $17 million annually from CRF and nearly $19 million annually in total funds. Although this bill reduces the prevention and cessation program mandate to $7.0 million annually in fiscal 2010 and 2011, the fiscal 2010 State budget provides $7.2 million for the programs.

During the 2005 session, the mandated level of funding for the Statewide Academic Health Centers was increased to $15.4 million beginning in fiscal 2007, but that level of funding was only achieved in fiscal 2007. Funding for the centers was $13.4 million in fiscal 2008 and is $10.0 million in fiscal 2009. Although this bill authorizes a reduction of up to $5.6 million in funding for academic health centers, the fiscal 2010 State budget provides $10.0 million for the centers, a reduction of just $5.4 million.

Location of Provisions in the Bill: Section 3 (pp. 53-54)

Analysis prepared by: Sarah Volker and Alison Mitchell

Hospital Assessments for General Medicaid

Provision in the Bill: Expands the approved uses of the hospital averted uncompensated care assessment by allowing any remaining funds to be used for general Medicaid operations. The bill specifically authorizes funds from the assessment to be used for Medicaid payments to hospitals in fiscal 2010 only.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
SF Rev	$0	$9.0	$0	$0	$0	$0
GF Exp	0	(9.0)	0	0	0	0
SF Exp	0	9.0	0	0	0	0

State Effect: General fund expenditures decrease by $9.0 million in fiscal 2010 as additional special funds from the uncompensated care assessment are redirected to pay costs not previously authorized. The proposed fiscal 2010 State budget includes a $9.0 million general fund reduction for Medicaid contingent on enactment of legislation allowing the use of hospital assessments for Medicaid in fiscal 2010.

Recent History: Chapter 7 of the 2007 special session requires the Health Services Cost Review Commission to annually assess an amount in hospital rates to reflect the aggregate reduction in hospital uncompensated care from the expansion of health care coverage under Chapter 7. During deliberations regarding the assessment, uncompensated care savings were presumed to be shared between expansion efforts (75%) and payors of hospital services (25%). The availability of additional special funds to effectuate the general fund reduction assumes that less savings will be returned to payors through lower rates. The $9.0 million retained for general Medicaid operations equates to 15% of the averted uncompensated care savings, leaving 10% for the other payors. This will not change the amount of assessment revenue available to fund expansion efforts under Chapter 7 (the 75%). The assessment generated $58.4 million in fiscal 2009 and is expected to generate $60.3 million in fiscal 2010.

Location of Provision(s) in the Bill: Sections 1 and 16 (pp. 27 and 59-60)

Analysis prepared by: Jennifer B. Chasse and Alison Mitchell

Medicaid Waiver for Maryland Health Insurance Plan

Provisions in the Bill: Authorizes funds from the hospital averted uncompensated care assessment to be used to reimburse the Department of Health and Mental Hygiene (DHMH) for subsidizing the plan costs of Maryland Health Insurance Plan (MHIP) members under a new Medicaid waiver program.

Agencies: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)*					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($4.5)	($9.0)	($9.0)	($9.0)	($9.0)
FF Exp	0	4.5	9.0	9.0	9.0	9.0

State Effect: If the waiver is approved, a fund swap will occur between MHIP and Medicaid yielding no net effect to MHIP, but reducing the general fund spending requirement for Medicaid by an estimated $4.5 million in fiscal 2010 and approximately $9.0 million annually beginning in fiscal 2011.

The fiscal 2010 State budget includes a $4.5 million general fund expenditure reduction relating to inpatient hospital costs contingent on enactment of legislation that authorizes the use of special funds currently dedicated to MHIP for this purpose.

Recent History: Chapter 7 of the 2007 special session requires the Health Services Cost Review Commission to annually assess an amount in hospital rates to reflect the aggregate reduction in hospital uncompensated care from the expansion of health care coverage under Chapter 7 and to operate and administer MHIP. Assessment funds may only be used to supplement Medicaid coverage beyond the eligibility requirements in place on January 1, 2008 and to fund MHIP. The assessment is expected to generate $58.4 million in fiscal 2009 and $60.3 million in fiscal 2010.

DHMH plans to seek a new Medicaid waiver to subsidize the plan costs of MHIP members with incomes up to 200% of federal poverty guidelines. The waiver is contingent on approval of the federal Centers for Medicare and Medicaid Services. MHIP is the State's high-risk health insurance pool; it provides access to affordable, comprehensive health benefits to the medically uninsurable.

Location of Provision(s) in the Bill: Section 1 (pp. 27 and 30)

Analysis prepared by: Jennifer B. Chasse and Alison Mitchell

AIDS Drug Rebates for AIDS Insurance Assistance Program

Provision in the Bill: Expands the approved uses of the Maryland AIDS Drug Assistance Program (MADAP) drug rebate revenue by allowing the special funds to be used to fund the Maryland AIDS Insurance Assistance Program (MAIAP) in addition to MADAP.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal Impact:	*(in dollars)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	($786,720)	($867,035)	($875,705)	($884,462)	($893,307)	($902,240)
SF Exp.	786,720	867,035	875,705	884,462	893,307	902,240

State Effect: General fund expenditures decrease by $786,720 in fiscal 2009 and there is an $867,035 fiscal 2010 general fund reduction contingent on legislation allowing special funds from the MADAP drug rebate revenue to be redirected to pay costs not previously authorized. Future year expenditures reflect 1% annual increases in available AIDS drug rebates.

Program Description: MAIAP is a State funded program that helps to pay the costs of health insurance premiums for individuals at-risk of losing private health insurance coverage. To qualify for MAIAP, an individual must have an income between 300% and 500% of the federal poverty level; be enrolled in a health insurance plan; and be unable to work due to HIV infection.

Recent History: Chapter 503 of 2006 required that any rebates received by the Department of Health and Mental Hygiene from MADAP be distributed to a special fund to be used only for MADAP. Segregation of the MADAP rebates is required under the federal Ryan White HIV/AIDS Treatment Modernization Act of 2006, which also specifies that states should ensure that drug rebate revenues are applied to activities supported under the base Ryan White grant. These activities include core medical services for individuals infected with HIV/AIDS; support services needed for individuals with HIV/AIDS to achieve their medical outcomes; or administrative expenses.

Location of Provision(s) in the Bill: Section 1 (pp. 25-26)

Analysis prepared by: Alison Mitchell

Universal Service Trust Fund Transfer and Maryland School for the Deaf

Provision in the Bill: Authorizes the transfer of $5,000,000 from the Universal Service Trust Fund to the general fund by June 30, 2009. In fiscal 2010, the Governor is authorized to transfer by budget amendment another $5,000,000 from the Universal Service Trust Fund to the Maryland School for the Deaf (MSD). General funds and Universal Service Trust Fund special funds will be summed to develop the fiscal 2010 base appropriation used to calculate the minimum required fiscal 2011 appropriation for MSD.

Agency: Maryland School for the Deaf

Type of Action: Fund balance transfer; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$5.0	$0	$0	$0	$0	$0
GF Exp	0	(5.0)	0	0	0	0
SF Exp	0	5.0	0	0	0	0

State Effect: General fund revenues increase by $5.0 million in fiscal 2009 due to the transfer. In fiscal 2010, special fund expenditures from the Universal Service Trust Fund increase by $5.0 million due to the use of these funds to support a portion of the MSD formula. General fund expenditures, which would otherwise be used to fund the minimum fiscal 2010 MSD appropriation, decrease by an equivalent amount contingent on the transfer. The transfers are not expected to affect the services that are supported with expenditures from the Universal Service Trust Fund.

Recent History: The Universal Service Trust Fund supports the Telecommunications Access of Maryland (TAM) program in the Department of Information Technology. TAM provides telephone access and other services for persons with disabilities that prevent them from using standard telephones. The Universal Service Trust Fund is funded with a $0.20 landline surcharge.

As of December 31, 2008, the fund balance in the Universal Service Trust Fund was $16.6 million. In the most recent fiscal year, the fund received $7.5 million in revenue and interest payments while program costs were $6.1 million. Fiscal 2009 costs for the TAM program are expected to increase based on higher per minute costs in a recently awarded contract.

Location of Provision(s) in the Bill: Sections 4 and 6 (pp. 55 and 56-57)

Analysis prepared by: Simon Powell

State Used Tire Cleanup and Recycling Fund

Provision in the Bill: Authorizes the transfer of $3,000,000 from the State Used Tire Cleanup and Recycling Fund to the general fund by June 30, 2009 and, beginning in fiscal 2010, authorizes the use of up to 50% of the revenues generated for the fund for administrative expenses of the Maryland Department of the Environment (MDE).

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$3.0	$0	$0	$0	$0	$0
GF Exp	0	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)

State Effect: General fund revenues increase by $3.0 million in fiscal 2009 due to the transfer. Future years are not affected. Following the transfer, the fund will be left with a balance of approximately $9.6 million, enough to cover projected fiscal 2010 expenditures from the fund.

In fiscal 2010, general fund expenditures decrease by $1.8 million due to the use of special funds from the State Used Tire Cleanup and Recycling Fund to support MDE administrative expenses. The fiscal 2010 State budget includes a $1.8 million general fund reduction that is contingent on a bill to authorize use of special funds for administrative expenses. Future year expenditures assume that $1.9 million annually, half of the estimated $3.8 million in annual State Used Tire Cleanup and Recycling Fund revenues, will be used to support administrative expenses, saving general funds that would otherwise be needed for this purpose.

Program Description: The State Used Tire Cleanup and Recycling Fund provides funds to respond to illegal disposal or storage of scrap tires. The fund is supported with a fee of $0.80 on each new tire sold in the State, and the fund balance is capped at $10.0 million. Estimated fiscal 2010 revenue from the fee is $3.8 million.

Location of Provision(s) in the Bill: Sections 1 and 4 (pp. 24-25 and 55)

Analysis prepared by: Evan Isaacson and Andrew Gray

Drinking Driver Monitor Program Fee

Provision in the Bill: Increases the monthly fee for participation in the Drinking Driver Monitor Program (DDMP) from $45 to $55 and removes the termination date for the fee so that all program participants are required to pay the fee after fiscal 2010. The provision takes effect June 1, 2009.

Agency: Public Safety and Correctional Services

Type of Action: Fee increase; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
SF Rev	$0.1	$1.4	$7.5	$7.5	$7.5	$7.5
GF Exp	(0.1)	(1.4)	(7.5)	(7.5)	(7.5)	(7.5)
SF Exp.	0.1	1.4	7.5	7.5	7.5	7.5

State Effect: DDMP fee revenues and expenditures increase by an estimated $114,000 in fiscal 2009, which accounts for the bill's June 1, 2009 effective date, and by $1.4 million in fiscal 2010 due to the $10 fee increase. This represents increased payments from about 11,400 DDMP supervisees each month, approximately 73% of total program participants. The fiscal 2010 State budget includes a $1.4 million general fund expenditure reduction for the program that is contingent on the enactment of legislation increasing the DDMP fee.

Currently, DDMP fees terminate on June 30, 2010. This bill repeals the termination date, meaning fee revenues continue to fund DDMP after fiscal 2010. Accordingly, DDMP special fund revenues and expenditures increase by about $7.5 million annually beginning in fiscal 2011, reducing general fund expenditures by an equivalent amount.

Recent History: Special program fees for DDMP were established by the Budget Reconciliation and Financing Act of 2005 (Chapter 444). The fees were set at $45 per month, a level expected to generate $7.6 million annually and allow DDMP to be self-supporting. The fees have generated only about $6.5 million annually, however, resulting in general fund deficiency appropriations of $1.0 million in fiscal 2006, and $1.5 million each in fiscal 2007 and 2008 to cover the full operating costs of the program. The general fund allocation in the fiscal 2010 Governor's allowance for DDMP is $2.7 million. Even with the fee increase, it is anticipated that additional general funds of about $1.5 million are needed to maintain current services. Otherwise, a significant reduction in supervision resources is needed for the program to become self-supporting.

Location of Provision(s) in the Bill: Section 1 (p. 8-9)

Analysis prepared by: Karen D. Morgan and Rebecca J. Moore

Higher Education Investment Fund

Provision in the Bill: Continues the Higher Education Investment Fund (HEIF) for an additional year and clarifies that the research institutions of the University System of Maryland (USM) are eligible to receive funding from HEIF. In addition, the bill states that it is the intent of the General Assembly that, when it is fiscally prudent to do so, HEIF be made permanent and the recommendations of the Commission to Develop the Maryland Model for Funding Higher Education be adopted. Until legislation is enacted to adopt the recommendations, the Maryland Higher Education Commission (MHEC) must incorporate the recommendations into the State Plan for Higher Education and implement the recommendations that do not require legislation.

The bill also specifies that, beginning in fiscal 2010, corporate income tax revenues must be distributed based on total net receipts, regardless of the taxable year for which the revenue was received.

Agencies: Maryland Higher Education Commission, University System of Maryland, and Morgan State University

Type of Action: Continue dedicated revenue stream; fund swap

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	($45.2)	$0	$0	$0	$0
SF Rev	0	45.2	0	0	0	0
GF Exp	0	(46.5)	0	0	0	0
SF Exp	0	45.2	0	0	0	0

State Effect: General fund revenues decrease by $45.2 million in fiscal 2010 due to the continuation of the dedicated 6% distribution of corporate income taxes to HEIF, and special fund revenues for HEIF increase by an equal amount. General fund expenditures for MHEC ($1.5 million) and four-year public institutions of higher education ($45.0 million) decrease by $46.5 million contingent on the enactment of this legislation, and budget bill language authorizes the processing of special fund budget amendments of equivalent amounts. Current projections suggest that HEIF will not generate sufficient funds to fully offset the general fund reduction, but an estimated $45.2 million in HEIF special fund expenditures will replace most of the general fund spending decrease.

The HEIF continuation is for fiscal 2010 only, so without further legislation there is no fiscal impact in future years.

Program Description: HEIF was established by Chapter 3 of the 2007 special session, which increased the State's corporate income tax and dedicated a portion of the increase to HEIF in fiscal 2008 and 2009. The purposes of the fund are to invest in higher education and workforce development and to keep tuition affordable for Maryland students. Funds may be expended to support public institutions of higher education and for workforce development initiatives administered by MHEC. Intent language in Chapter 3 suggests that HEIF continue beyond fiscal 2009 if the General Assembly determines that it is fiscally prudent to continue the revenue dedication.

The Commission to Develop the Maryland Model for Funding Higher Education was established by the Tuition Affordability Act of 2006 (Chapters 57 and 58) and submitted its final report in December 2008. The final report included a broad set of recommendations to improve Maryland's system of higher education while maintaining affordability.

Location of Provision(s) in the Bill: Sections 1, 36, and 37 (pp. 17, 40-41, and 67-68)

Analysis prepared by: Mark W. Collins

Maryland Strategic Energy Investment Program

Provision in the Bill: Adjusts the distribution of funds received by the Maryland Strategic Energy Investment Fund for fiscal 2010 and 2011 and makes the new distribution applicable to proceeds received by the fund from the sale of carbon dioxide (CO_2) allowances under the Regional Greenhouse Gas Initiative (RGGI). The percentage of the proceeds transferred to the Department of Human Resources (DHR) to be used for the electric universal service program (EUSP) and other electricity assistance programs is increased from 17% to as much as 50%. The distributions of funds for other purposes are decreased as shown in the table below.

	Current Law	Bill
Electricity assistance (DHR)	17%	up to 50%
Electricity rate relief	23%	23%
Energy efficiency and conservation and demand response	at least 46%	at least 17.5 %
Renewable and clean energy; public education and outreach; climate change	up to 10.5%	at least 6.5%
Administrative costs	up to 3.5%*	up to 3.0%*

*But not more than $4 million.

Agency: Maryland Energy Administration and Department of Human Resources

Type of Action: Fund swap

Fiscal Impact:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	($ in millions)					
GF Exp	$0	($35.6)	($35.6)	$0	$0	$0

State Effect: General fund expenditures decrease by $35.6 million in fiscal 2010 due to the increase in allowable distributions from the Maryland Strategic Energy Investment Fund to DHR to support EUSP and other energy assistance programs. A general fund decrease of this amount for the Office of Home Energy Program in DHR is contingent on the enactment of legislation reallocating fiscal 2010 RGGI revenues. The fiscal 2010 State budget authorizes the processing of a special fund budget amendment to use the RGGI proceeds for energy assistance programs. There is also fiscal 2010 budget language that reduces current law allocations of the RGGI proceeds by $35.6 million contingent on legislation reallocating the proceeds. Directing additional funds to energy assistance programs will result in less spending from RGGI proceeds for energy efficiency and conservation programs, renewable and clean energy programs, energy-related public education and outreach, climate change programs, and administrative costs.

An equivalent general fund reduction of $35.6 million is assumed for fiscal 2011; however, a change in funding needs of the DHR programs, or a change in available RGGI funding, may alter the fiscal 2011 reduction.

Local Effect: Local governments may be affected in fiscal 2010 and 2011 to the extent that the adjustment of distributions from the Maryland Strategic Energy Investment Fund and the subsequent allocation of RGGI funding to replace general fund reductions in fiscal 2010 and 2011 decreases the funding that is available for grants or loans to local governments under the Maryland Strategic Energy Investment Program.

Program Description: The Maryland Strategic Energy Investment Program and the Maryland Strategic Energy Investment Fund, which is used to implement the program, were created under Chapters 127 and 128 of 2008 to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. Currently, the fund's primary source of revenue is proceeds from the sale of CO_2 allowances under RGGI.

EUSP helps make electric bills more affordable for low-income customers through bill assistance and arrearage retirement.

Recent History: A fiscal 2009 budget amendment was processed to use money in the Maryland Strategic Energy Investment Fund generated from initial CO_2 allowance auctions, increasing the special fund appropriations for four agencies by $26.4 million. The proposed fiscal 2010 State budget includes allowances from the fund totaling $106.3 million. It is estimated that Maryland will receive $51.8 million for energy programs through the federal American Recovery and Reinvestment Act of 2009.

Location of Provision(s) in the Bill: Section 2 (pp. 51-53)

Analysis prepared by: Scott D. Kennedy and Andrew Gray

Postretirement Health Benefits Trust Fund

Provision in the Bill: Redirects the federal Medicare Part D employer subsidy from the Postretirement Health Benefits Trust Fund to the State Employee Health and Welfare Benefits Fund in fiscal 2010 to 2012.

Agency: State Retirement Agency and Department of Budget and Management

Type of Action: Fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($24.6)	($26.3)	($28.1)	$0	$0

State Effect: General fund expenditures decrease by $24.6 million in fiscal 2010 due to the use of the Medicare Part D employer subsidy to support State employee and retiree health care coverage. The expenditure reductions are contingent on the enactment of legislation reallocating the Medicare Part D employer subsidy from the Postretirement Health Benefits Trust Fund to the State Employee Health and Welfare Benefits Fund.

Fiscal 2011 and 2012 estimates reflect 7% annual increases in prescription drug costs for Medicare-eligible State retirees, which determines the amount of the Part D subsidy payment.

Program Description: The State Employee Health and Welfare Benefits Fund holds State subsidies to employee and retiree health care coverage plans, as well as the required employee and retiree contributions to the plans. Funds are used to support coverage costs.

Recent History: Chapter 466 of 2004 established the Postretirement Health Benefits Trust Fund to assist the State in financing the postretirement health insurance subsidy paid by the State. Beginning in fiscal 2006, any subsidy received by the State that is provided to employers as a result of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 or other similar federal subsidy was to be deposited into the fund. However, the Budget Reconciliation and Financing Act of 2005 (Chapter 444) diverted the Medicare Part D subsidy from the fund to pay for employee and retiree health premiums in fiscal 2006 and 2007. Chapter 355 of 2007 restored proceeds from the Medicare Part D federal subsidy to the Postretirement Health Benefits Trust Fund beginning in fiscal 2008.

Location of Provision(s) in the Bill: Section 1 (p. 36 and 37-38)

Analysis prepared by: Michael C. Rubenstein

Fair Campaign Funds for Optical Scan Voting System

Provision in the Bill: Authorizes the transfer of $2,000,000 from the Fair Campaign Financing Fund to the Maryland Information Technology Development Project Fund to purchase a new optical scan voting system. Any funds that are transferred and are not used to purchase the new voting system may only be transferred to the Maryland Election Modernization Fund. The transfer may not reduce the balance of the Fair Campaign Financing Fund below $1,000,000.

Agencies: State Board of Elections

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($2.0)	$0	$0	$0	$0
SF Exp	0	2.0	0	0	0	0

State Effect: Special fund expenditures from the Fair Campaign Finance Fund increase by $2.0 million and general fund expenditures decrease by $2.0 million due to the fund swap. The general fund expenditure reduction is contingent on the enactment of this bill. The transfer from the Fair Campaign Finance Fund will not reduce the fund balance below $1.0 million and will not affect expenditures from the fund. Future years are not affected.

Program Description: Chapters 547 and 548 of 2007 require the voting system in Maryland to include a voter-verifiable paper trail beginning with elections on or after January 1, 2010. The fiscal 2010 State budget includes a total of $5.8 million to begin the transition to the new system, including $2.9 million in local funds and $2.9 million in State funds budgeted in the Maryland Information Technology Development Project Fund.

The Fair Campaign Financing Fund is supported with a tax add-on system and supports gubernatorial candidates who qualify and opt for public financing of their elections. With the exception of the 1994 election, the fund has remained essentially unused to date.

The Maryland Election Modernization Fund was established in 2003 as a continuing fund for programs relating to the federal Help America Vote Act of 2002 (HAVA) and for other related expenditures. In addition to expenditures made to comply with requirements of HAVA, other permissible uses of the fund include expenditures for voter education, election personnel training, acquiring or improving voting systems, and improving the quantity and accessibility of polling places.

Location of Provision(s) in the Bill: Section 38 (pp. 68-69)

Analysis prepared by: Scott D. Kennedy and Mark W. Collins

Federal Title IV-B and Title IV-E Funds

Provision in the Bill: Allows the Department of Juvenile Services (DJS), Department of Human Resources (DHR), and United States Department of Health and Human Services to share information and records as necessary to properly administer the federal Title IV-B and Title IV-E programs. A provision in State law that prohibits DJS from administering any child welfare programs of DHR is also repealed.

Agency: Department of Juvenile Services

Type of Action: Potential fund swap

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
FF Rev	$0	increase	increase	increase	increase	increase
GF Exp	$0	decrease	decrease	decrease	decrease	decrease
FF Exp	$0	increase	increase	increase	increase	increase

State Effect: Federal fund revenues and expenditures increase beginning in fiscal 2010 if the changes allow the State to qualify for additional federal funds under the Title IV-B and Title IV-E programs. General fund expenditures may decrease to the extent that they are currently being used to support the services that will instead be funded with federal dollars.

Recent History: Title IV-B of the federal Social Security Act provides grants to states for the purpose of supporting interventions that allow families to stay together and reunification services for children that have been removed from their families. Title IV-E provides adoption incentives for families that adopt foster children.

Due to existing State laws and policies, the federal Department of Health and Human Services Administration for Children and Families has been disallowing Title IV-B and IV-E claims made by DJS. This bill and House Bill 1382, which allows greater access to children's records in specified situations, attempt to address the issues so DJS can access the federal funds.

Location of Provision(s) in the Bill: Sections 1 and 42 (pp. 27-28 and 70)

Analysis prepared by: Jennifer K. Botts and Mark W. Collins

Unused Cost-of-living Adjustments

Provision in the Bill: Authorizes a reduction $1,598,760 from the fiscal 2009 State budget to remove excess funds budgeted for State employee cost-of-living adjustments (COLAs).

Agency: Department of Budget and Management

Type of Action: Withdrawn appropriation

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	($1.6)	$0	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $1.6 million in fiscal 2009 due to the withdraw of the excess COLA funds. Future years are not affected.

Program Description: The fiscal 2009 appropriation for the Department of Budget and Management included $64.4 million in general funds to support a 2% COLA for State employees. The monies were distributed to the individual agencies via budget amendment. Of the total, $1,598,760 was unspent due to position reductions and payroll changes. This action reverts the unspent amount to the general fund.

Location of Provisions in the Bill: Section 22 (p. 61)

Analysis prepared by: Dylan R. Baker

Education and Library Overpayments

Provision in the Bill: Requires the State to repay Montgomery County Public Schools (MCPS) $24,171,216 in fiscal 2009 to compensate the school system for an underpayment of this amount that was caused by an error in the calculation of the county's wealth base. In fiscal 2010, the State must recoup fiscal 2009 overpayments that were made to 17 local school systems (totaling $30,838,493) and 20 local library boards (totaling $553,243) as a result of the error.

In fiscal 2011, the State must recapture another $4,703,943 from the supplemental grants that will be provided to eight local school systems in fiscal 2010; these funds represent the carryover impact of the fiscal 2009 overpayments into the fiscal 2010 supplemental grant calculation. In future years, local school systems will receive supplemental grants equal to the supplemental grants they received the prior fiscal year.

The allocations for all repayments are specified in the bill.

Type of Action: Correction of errors in local aid payments

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($31.4)	($4.7)	($4.7)	($4.7)	($4.7)

State Effect: General fund expenditures decrease by $31.4 million in fiscal 2010 due to the recapture of overpayments from 17 local school systems and 20 local library systems. The funds will be deducted from State aid that would otherwise be provided to the systems. There is a total of $31.4 million in general fund reductions to school and library aid in the fiscal 2010 State budget that are contingent on this legislation. General fund expenditures for supplemental grants decrease by $4.7 million in fiscal 2011 and subsequent fiscal years due to the elimination of excess supplemental grant payments. The fiscal 2010 State budget includes a fiscal 2009 deficiency appropriation for MCPS, and the bill has no impact on that appropriation.

Local Effect: Local school systems and library systems that received additional fiscal 2009 State aid as a result of the error will repay the amounts in fiscal 2010. Additional aid that local school systems will receive through the supplemental grants in fiscal 2010 will be recaptured by the State in fiscal 2011, and the reductions will carry through to future fiscal years. The allocation and timetable for the correction of the errors is shown in the table below, and the fiscal 2010 repayments are included in **Appendix C1** (education) and **Appendix C2** (libraries), which show the impact of the bill on all local aid.

Amounts of Recaptured Overpayments, by County

County	Fiscal 2010 Education Aid	Fiscal 2010 Library Aid	Fiscal 2011 Education Aid
Allegany	($878,978)	($4,719)	($433,637)
Anne Arundel	(5,154,362)	(96,963)	0
Baltimore City	0	(42,521)	0
Baltimore	(5,991,962)	(105,690)	0
Calvert	(895,611)	(15,039)	0
Caroline	(356,786)	(3,339)	(360,353)
Carroll	(1,429,622)	(25,382)	(619,714)
Cecil	(975,906)	(12,481)	(471,190)
Charles	(2,545,208)	(20,995)	0
Dorchester	(337,509)	(3,668)	(340,884)
Frederick	(2,147,774)	(37,477)	0
Garrett	0	(4,790)	0
Harford	(1,963,041)	(33,065)	(977,701)
Howard	(3,167,202)	0	0
Kent	0	(3,324)	0
Montgomery	0	0	0
Prince George's	(67,701)	(99,174)	(68,379)
Queen Anne's	(497,460)	(3,552)	0
St. Mary's	(1,417,905)	(13,683)	(1,432,084)
Somerset	0	(1,841)	0
Talbot	0	0	0
Washington	(1,770,294)	(16,551)	0
Wicomico	(1,241,172)	(8,989)	0
Worcester	0	0	0
Total	**($30,838,493)**	**($553,243)**	**($4,703,943)**

Recent History: Last year, an error was made in the calculation of the fiscal 2009 wealth base for Montgomery County, resulting in an underpayment of $24.2 million for MCPS and overpayments totaling $30.8 million for 17 local school systems. The proposed fiscal 2010 State budget included a fiscal 2009 deficiency appropriation for MCPS that is not affected by this bill; however, the proposed budget did not reduce aid for local school systems that are being overpaid in fiscal 2009. As a result of the overpayments, the supplemental grant calculation for fiscal 2010 is also higher than it should be for eight local school systems.

Although aid for Montgomery County libraries was not affected by the error, 20 local library systems are receiving fiscal 2009 overpayments totaling $553,243 as a result of the mistake.

This provision of the bill corrects these errors by recollecting the overpayments one year after the errors occur.

Location of Provision(s) in the Bill: Sections 1 and 27 (pp.11 and 62-63)

Analysis prepared by: Mark W. Collins

State Employee Pay Increases

Provision in the Bill: Prohibits the provision of performance bonuses, merit increases, and cost-of-living adjustments to State employees in fiscal 2010. The prohibition does not affect the salaries of constitutional officers or members of the General Assembly, increases necessary for the retention of faculty working at State institutions of higher education, or financial incentives for the Chief Investment Officer of the State Retirement and Pensions System.

Agencies: All

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($60.3)	($63.0)	($65.8)	($68.7)	($71.7)
SF Exp	0	(11.9)	(12.4)	(13.0)	(13.5)	(14.1)
FF Exp	0	(6.6)	(6.9)	(7.2)	(7.5)	(7.8)
Reim Exp	0	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)
Higher Ed	0	(12.2)	(12.8)	(13.3)	(13.9)	(14.5)
Total	**$0**	**($91.8)**	**($95.8)**	**($100.0)**	**($104.4)**	**($109.0)**

State Effect: State expenditures for employee pay increases decrease by $91.8 million in fiscal 2010, including a $60.3 million general fund expenditure reduction. Expenditure reductions reflect only the elimination of required merit increases, as well as the associated Social Security payments and retirement contributions, for Executive, Legislative, and Judicial branch employees, including employees of institutions of higher education and State-funded colleges. These reductions are assumed in the fiscal 2010 State budget.

Future year expenditure reductions reflect 4.4% annual salary increases growing off the reduced fiscal 2010 salary base.

Recent History: General salary increases and annual salary review reclassifications were not awarded in fiscal 2003 or 2004. Performance bonuses have not been awarded since fiscal 2002.

There are more than 80,000 employees of Maryland's Executive, Judicial, and Legislative branches of government.

Location of Provision(s) in the Bill: Section 14 (p. 59)

Analysis prepared by: Michael T. Vorgetts and Dylan Baker

Optional Defined Contribution System

Provision in the Bill: Eliminates the fiscal 2010 $600 per employee State match to employees' supplemental defined contribution retirement plans.

Agencies: All

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
		($ in millions)				
GF Exp	$0	($11.8)	$0	$0	$0	$0
SF Exp	0	(4.3)	0	0	0	0
FF Exp	0	(4.3)	0	0	0	0
Reim Exp	0	(0.3)	0	0	0	0
HE Exp	0	(2.9)	0	0	0	0
Total	**$0**	**($23.7)**	**$0**	**$0**	**$0**	**$0**

State Effect: General fund expenditures decrease by $11.8 million in fiscal 2010 and total State expenditures decrease by $23.7 million with the elimination of the $600 per employee State matching contribution to State employees' supplemental defined contribution retirement plans. Future years are not affected.

Recent History: State employees who participate in defined contribution plans and who are members of the Employees' Pension System are entitled to an employer matching contribution of up to $600 per year. The match was suspended in fiscal 2004 and 2005 for budgetary reasons and was reinstated for fiscal 2006 with a cap of $400 per employee. The match was restored to its maximum level of $600 in fiscal 2007, 2008, and 2009.

Location of Provision(s) in the Bill: Section 13 (p. 59)

Analysis prepared by: Michael C. Rubenstein

Community College Aid Formula

Provision in the Bill: Reduces funding for local community colleges under the Senator John A. Cade formula and resets the phase-in of scheduled formula enhancements. The formula is also altered to base the funding calculation on current-year per student funding at the State's four-year institutions of higher education rather than prior-year funding at the universities. The formula enhancements will be fully phased in by fiscal 2014 at 29% of the per student funding provided to selected public four-year institutions.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($34.0)	($30.3)	($31.0)	($21.5)	$0.6

State Effect: Mandated general fund expenditures for community colleges decrease by $34.0 million in fiscal 2010. The reduction will maintain an appropriation of $210.3 million for the Cade formula. Future year savings estimates use projected community college enrollments and estimated funding levels for public four-year universities. Due to adjustments to the formula, there is an increase of approximately $575,000 projected for fiscal 2014 when the formula would be fully restored.

Reductions in State aid to community colleges will also slow the growth of community college retirement costs, which are paid by the State on behalf of the colleges. State payments for retirement are calculated using actual community college salary bases from the second prior fiscal year. Lower State aid levels beginning in fiscal 2010, therefore, will affect retirement payments beginning in fiscal 2012. The reductions in general fund expenditures are not included in the estimates above but will total approximately $2 million to $4 million annually from fiscal 2012 to 2015.

Local Effect: Direct State aid for community colleges decreases by $34.0 million in fiscal 2010. The fiscal 2010 reductions are shown by county in **Exhibit C2**. The Cade formula will phase up to full funding under the revised schedule by fiscal 2014.

Program Description: The Cade formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State's per student funding for selected public four-year institutions of higher education. This per student amount is multiplied by total community college enrollment to arrive at the total formula amount for the colleges. Each college's share of the total is then based on its proportion of formula funding from the prior year and enrollment. Chapter 333 of 2006 began a phased enhancement of the Cade formula that would have increased the percentage used in the formula from 25% in fiscal 2007 to 30% by fiscal 2013. With the change to current-year rather than prior-year funding at the selected four-year institutions, the formula will only phase up to 29% of the per student funding at these institutions.

Recent History: The Cade formula funding enhancements enacted in Chapter 333 have yet to be fully funded. In fiscal 2008, the Board of Public Works reduced the Cade formula by $2.0 million, from $196.5 million to $194.5 million. The fiscal 2009 State budget includes $202.4 million for the formula, $16.3 million below the statutory funding level.

Location of Provisions in the Bill: Section 1 (pp. 17-19)

Analysis prepared by: Mark W. Collins, Richard H. Harris, and Caroline L. Boice

Funding for Independent Colleges and Universities

Provision in the Bill: Reduces funding for qualifying independent colleges and universities under the Joseph A. Sellinger formula and phases in full-funding of the formula by fiscal 2015. The formula is also altered to base the funding calculation on current-year per student funding at the State's four-year institutions of higher education rather than prior-year funding at the universities. The formula will be fully phased in by fiscal 2015 at 15.5% of the per student funding provided to selected public four-year institutions.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($13.9)	($10.9)	($12.6)	($8.4)	($3.5)

State Effect: Mandated general fund expenditures for the Sellinger formula decrease by $13.9 million in fiscal 2010. The reduction results in a fiscal 2010 appropriation for the formula of $52.2 million. Future year savings estimates use projected enrollments at independent colleges and universities and estimated funding levels for public four-year universities.

Program Description: The Joseph A. Sellinger Program provides State funding to 17 qualifying independent colleges and universities. Like the Cade formula, the Sellinger formula uses a percentage of the State's per student funding for public four-year institutions of higher education to determine a per student amount for the independent institutions. The mandated percentage of prior year funding for four-year institutions used in the Sellinger formula was 16%, but with the change in the formula calculation from prior-year to current-year funding levels, that percentage is reduced to 15.5% and will be achieved by fiscal 2015.

Recent History: In fiscal 2008, the Board of Public Works reduced the Sellinger formula by $2.5 million. Cost containment actions in fiscal 2009 reduced funding by $8.1 million to $50.4 million.

Location of Provisions in the Bill: Section 1 (pp. 12-13)

Analysis prepared by: Mark W. Collins, Rachel N. Silberman, and Caroline L. Boice

Baltimore City Community College Formula

Provision in the Bill: Reduces funding under the Baltimore City Community College formula and resets the phase-in of scheduled formula enhancements. The formula is also altered to base the funding calculation on current-year per student funding at the State's four-year institutions of higher education rather than prior-year funding at the universities. The formula enhancements will be fully phased in by fiscal 2014 at 68.5% of the per student funding provided to selected public four-year institutions.

Agency: Baltimore City Community College

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($2.6)	($1.1)	($1.4)	($1.4)	($0.0)

State Effect: Mandated general fund expenditures for Baltimore City Community College (BCCC) decrease by $2.6 million in fiscal 2010. The decrease results in an appropriation of $41.8 million under the formula. Future year savings estimates use projected BCCC enrollments and estimated funding levels for public four-year universities.

Program Description: BCCC is the only community college operated by the State. The annual base appropriation for BCCC is determined by a formula. Like the Cade and Sellinger formulas, the formula is based on a percentage of the State's per student funding for public four-year institutions of higher education. This per student amount is multiplied by total BCCC enrollment to arrive at a total formula amount. Chapter 333 of 2006 began a phased enhancement of the BCCC formula that would have increased the percentage used in the formula from 66% in fiscal 2007 to 71% by fiscal 2013. With the change to current-year rather than prior-year funding at the selected public four-year institutions, the formula will only phase up to 68.5% of the per student funding at these institutions.

Recent History: The fiscal 2008 formula amount for BCCC was reduced by $500,000 through cost containment actions taken by the Board of Public Works. Although reductions for State employee furloughs are anticipated, no cuts to the BCCC formula amount have been approved for fiscal 2009.

Location of Provisions in the Bill: Section 1 (pp. 19-20)

Analysis prepared by: Mark W. Collins, Richard H. Harris, and Caroline L. Boice

Private Donation Incentive Program

Provision in the Bill: Defers State payments of $119,731 for the Private Donation Incentive Program (PDIP) from fiscal 2010 to fiscal 2011.

Agency: Maryland Higher Education Commission

Type of Action: Deferred payment

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
	(in dollars)					
GF Exp	$0	($119,731)	$119,731	$0	$0	$0

State Effect: General fund expenditures for PDIP decrease by $119,731 in fiscal 2010 due to the deferral of the required State match for the program. The required PDIP payments will instead be made a year later, increasing general fund expenditures by $119,731 in fiscal 2011.

Program Description: PDIP provides State matches for qualifying donations to public institutions of higher education. Chapter 515 of 1999 reauthorized PDIP, and the State is still making payments toward achievement of the maximum State match for each institution.

Recent History: The State deferred $8.3 million in owed PDIP payments to institutions (excluding historically black institutions) in fiscal 2004 and 2005. In fiscal 2009, the Maryland Higher Education Commission was appropriated $2.3 million to satisfy the remaining payments from that deferral; however, Bowie State University submitted a late report justifying $119,731 in PDIP matching funds for collections raised in fiscal 2007, which displaced payments of the remaining balances due to other institutions in fiscal 2009. This bill defers those payments for an additional year.

Location of Provision(s) in the Bill: Section 10 (p. 57)

Analysis prepared by: Caroline L. Boice and Rachel N. Silberman

Local Jail Reimbursements

Provision in the Bill: Repeals the State's per diem reimbursements to local detention centers and instead establishes a $45 per day grant program to aid with the costs of inmates serving between 12 and 18 months and inmates who have been sentenced to the Division of Correction (DOC) but are being detained locally. In addition, the State is not required to pay any prior year reimbursements that are not paid by the end of fiscal 2009.

Agency: Department of Public Safety and Correctional Services

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($25.7)	($19.3)	($20.7)	($22.2)	($23.7)

State Effect: General fund expenditures decrease by $25.7 million in fiscal 2010 due to two reductions that are contingent on the enactment of this bill: a $24.0 million reduction in reimbursements for inmates serving between 12 and 18 months in local detention facilities and a $1.7 million reduction in reimbursements for inmates who have been sentenced to DOC but are held in local facilities. The $1.7 million decrease reflects the actual reduction in State costs under the new $45 per diem grant program. The $24.0 million decrease, however, exceeds the actual $16.3 million in general fund savings generated by the new reimbursement formula and instead eliminates fiscal 2010 State reimbursements for inmates serving 12 to 18 months in local detention centers. Future year estimates assume that per diem reimbursement rates would have increased 4% annually.

In addition to the ongoing savings, the State is relieved of $11.9 million in unpaid reimbursements from previous fiscal years.

Local Effect: State reimbursements to local detention centers decrease by $31.3 million in fiscal 2010, including a reduction of $29.6 million for local jail reimbursements and a reduction of $1.7 million for the local jail backup program. The budget underfunded the reimbursement program, so the decrease in reimbursements actually exceeds the State budget cut. The projected fiscal 2010 reductions for each local jurisdiction are shown in **Appendix C3**, with separate columns for the reimbursement program and the jail backup program. The bill also eliminates $11.9 million in past due reimbursements for local detention centers.

Program Description: Since the implementation of a statutory change in 1986, the State has reimbursed local jails for the confinement of inmates who have been sentenced under DOC jurisdiction and are serving sentences in local correctional facilities for more than 3 months but not more than 18 months. Reimbursement is currently based on one of the following formulas: (1) for inmates sentenced on or after January 1, 1987, the State pays 50% of the per diem rate per inmate for each day from the ninety-first day to the three hundred sixty-fifth day that the inmate is housed within the local facility; or (2) if a county can demonstrate that the average number of eligible inmate days for the previous fiscal year exceeds the average number of eligible inmate days for fiscal 1984 through 1986, the reimbursement rate is 85% of the per diem rate. The State also reimburses local detention centers for each day that they hold inmates sentenced to DOC facilities. Per diem reimbursement rates are calculated based on the total annual operating costs reported by the local facilities.

Recent History: Appropriations for local jail reimbursements have fallen short of the statutory funding requirements for the last two fiscal years. Actual costs exceeded the appropriation by $1.6 million in fiscal 2008, and expected fiscal 2009 costs exceed the appropriation by another $10.3 million. This bill relieves the State of these debts.

Location of Provision(s) in the Bill: Section 2, 20, and 21 (pp. 48-49 and 61)

Analysis prepared by: Guy Cherry and Rebecca J. Moore

State Share of Nonpublic Special Education Placement Costs

Provision in the Bill: Reduces the State share of costs for nonpublic special education placements from 80% to 70% of the costs above the base local share. The local share of these costs increases from 20% to 30%.

In addition, the bill limits growth in the fiscal 2010 rates paid to providers of nonpublic placements to 1%.

Agency: Maryland State Department of Education

Type of Action: Cost shift/State mandate relief; cost control

Fiscal Impact:	***($ in millions)*** **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($20.0)	($20.9)	($21.9)	($23.1)	($24.4)

State Effect: Mandated general fund expenditures for the State share of costs for nonpublic placements decrease by an estimated $16.1 million in fiscal 2010 contingent on the enactment of legislation to adjust the State share to 70% of the costs above the base local funding amount. Limiting increases in the provider rates for fiscal 2010 further reduces general fund expenditures by an estimated $3.9 million, bringing the total savings to $20.0 million. Limiting rate increases in fiscal 2010 is also expected to reduce future costs since rates will grow from a lower fiscal 2010 base amount. Future year savings assume 5% annual increases in placement costs after fiscal 2010.

Local Effect: State aid for local school systems decreases by $16.1 million in fiscal 2010 and by an estimated $19.6 million in fiscal 2014 due to the change in the State share. The estimated fiscal 2010 reductions are shown by school system in **Appendix C1**.

The limit on provider rates will reduce local costs for placements.

Program Description: Most students with disabilities receive special education services in the public schools. If an appropriate program is not available in the public schools, however, a student may be placed in a private school offering more specialized services. The costs for these students, who are placed in nonpublic day or residential facilities, are shared by the local school systems and the State.

Under current law, a local school system pays its respective local share of the basic cost of education for each nonpublic placement plus two times the total basic cost of education in the system, as well as 20% of any expense above that sum. The State pays 80% of the costs above the base local funding.

Recent History: The fiscal 2009 State budget includes $127.6 million to pay the State's share of nonpublic placement costs. In fiscal 2008, actual State and local expenditures for nonpublic placements totaled $240.5 million, with local school systems spending $127.1 million (53% of the total costs) and the State spending $113.4 million (47%).

Budget reconciliation legislation enacted in 2004 and 2005 reduced the State share of nonpublic placement costs for fiscal 2005 and 2006. In those years, the State share of costs above the base local funding was reduced from 80% to 75%.

Location of Provision(s) in the Bill: Sections 1 and 9 (pp. 16-17 and 57)

Analysis prepared by: Mark W. Collins, Erin M. Dorrien, and Caroline L. Boice

Aging Schools Program

Provision in the Bill: Eliminates fiscal 2010 general funds for the Aging Schools Program and reduces mandated fiscal 2011 funding for the program to $6,108,990. The statutory formula amounts are reset for fiscal 2012, with the annual inflation adjustment beginning again in fiscal 2013.

Agency: Interagency Committee for Public School Construction

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($11.7)	($5.7)	($1.4)	($1.5)	($1.5)

State Effect: Mandated general fund expenditures for the Aging Schools Program decrease by $11.7 million in fiscal 2010 contingent on the enactment of legislation to eliminate general funds for the program in fiscal 2010. The fiscal 2010 capital budget includes $6.1 million in general obligation (GO) bonds that will be used to fund the program in fiscal 2010.

Fiscal 2011 funding of $6.1 million for the Aging Schools Program will decrease expenditures by an estimated $5.7 million. In fiscal 2012, the statutory funding amounts totaling $10.4 million will be reset; however, general fund savings of approximately $1.4 million will be realized because the annual inflationary adjustments that have been in effect since fiscal 2008 are eliminated. Future years likewise reflect the loss of these inflationary increases.

Local Effect: General fund State aid for local school systems decreases by $11.7 million in fiscal 2010, although $6.1 million is restored with GO bonds. The fiscal 2010 reduction is shown by school system in **Appendix C1**.

Program Description: The Aging Schools Program provides funds to local school systems for improvements, repairs, and deferred maintenance of public school buildings. Eligible program expenditures include asbestos and lead paint abatement; upgrade of fire protection systems and equipment; painting; plumbing; roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services.

Recent History: Chapter 252 of 2006 added an inflation factor to the calculation of annual funding under the Aging Schools Program. Funding for each county was based at the fiscal 2007 amount and was set to increase each year with changes in the Consumer Price Index from the second prior fiscal year. The fiscal 2009 appropriation for the program is $11.1 million.

Location of Provision(s) in the Bill: Section 1 and 11 (pp. 13-15 and 57)

Analysis prepared by: Mark W. Collins, Caroline L. Boice, and Erin M. Dorrien

Teacher Quality Incentives

Provision in the Bill: Alters eligibility and stipend amounts for Teacher Quality Incentives, including the elimination of the $1,000 salary signing bonuses for qualifying teachers.

Agency: Maryland State Department of Education

Type of Action: Mandate/entitlement relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($5.3)	($5.3)	($5.3)	($5.3)	($5.3)

State Effect: General fund expenditures for Teacher Quality Incentive stipends decrease by an estimated $5.3 million annually beginning in fiscal 2010. The fiscal 2010 reduction is contingent on the enactment of legislation to adjust the stipends and leaves $4.2 million in the budget to fund the modified stipend program.

Local Effect: State aid for local school systems decreases by $5.3 million annually beginning in fiscal 2010 due to changes to the Teacher Quality Incentives. The fiscal 2010 reductions are included in **Appendix C1**.

Recent History: Chapter 600 of 1999 established Teacher Quality Incentives. The fiscal 2009 State budget included $5.7 million for the stipends and bonuses, and the fiscal 2010 budget includes a deficiency appropriation of $3.6 million for the program, bringing fiscal 2009 funding for the incentives to $9.3 million.

Location of Provision(s) in the Bill: Section 1 (pp. 15-16)

Analysis prepared by: Mark W. Collins, Erin M. Dorrien, and Caroline L. Boice

Local Library Aid Formula

Provision in the Bill: Decreases the per resident amount used in the local library aid formula to $14 for fiscal 2010 and 2011. The phase-in of formula enhancements restarts in fiscal 2012 at $15 per resident and reaches the $16 per resident formula target by fiscal 2013.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($2.4)	($4.9)	($2.4)	$0	$0

State Effect: Mandated general fund expenditures for the library aid formula decrease by $2.4 million in fiscal 2010 contingent on legislation authorizing the reduction. The reduction leaves $33.2 million in the budget to provide State aid to the local library systems.

Future year expenditure reductions reflect modest population growth and the return to current statutory funding levels by fiscal 2013.

Local Effect: State aid to local public library systems decreases by $2.4 million in fiscal 2010, $4.9 million in fiscal 2011, and $2.4 million in fiscal 2012. The reductions are shown by county in **Appendix C2**.

The reduction in the per resident amount also decreases the required minimum local funding amount, although the counties and Baltimore City could continue to fund their local libraries above the minimum required level. There is no local maintenance of effort requirement for libraries outside the local share of the library aid formula.

Program Description: The library aid formula determines State and local minimum required payments to each of the 24 local library boards. The State pays approximately 40% of the total formula cost on a wealth-equalized basis, with the local jurisdictions providing the remaining 60%.

Recent History: Chapter 481 of 2005 started a phase-in of enhancements for the library aid formula, increasing the per resident allocation by $1 per year to move from $12 per resident in fiscal 2006 to $16 per resident by fiscal 2010. However, Chapter 2 of the 2007 special session deferred the $1 formula increase for fiscal 2009 and restarted the phase-up in fiscal 2010.

Location of Provision(s) in the Bill: Section 1 (p. 24)

Analysis prepared by: Mark W. Collins, Erin M. Dorrien, and Caroline L. Boice

State Library Network

Provision in the Bill: Decreases the per resident allocations to the State Library Resource Center and the State's three regional resource centers. Funding for the State Library Resource Center is reduced from $1.85 per State resident to $1.67 per resident for fiscal 2010 and 2011. Funding for regional resource centers decreases to $6.75 per resident of the region in fiscal 2010 and 2011 and increases to $7.50 per resident in fiscal 2012 and $8.50 per resident in fiscal 2013.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($1.7)	($2.6)	($0.9)	$0	$0

State Effect: Mandated general fund expenditures for the State library network decrease by $1.7 million in fiscal 2010 contingent on the enactment of legislation to lower the formula amounts. The reductions would leave $15.6 million in the budget to fund the centers.

Future year expenditure reductions reflect modest population growth and the return to current statutory funding levels by fiscal 2013.

Program Description: The State Library Resource Center, located at the Central Library of the Enoch Pratt Free Library System in Baltimore City, was created in 1971 to expand access statewide to specialized library services and materials. There are three regional resource centers located in Charlotte Hall, Hagerstown, and Salisbury and serving Southern Maryland, Western Maryland, and the Eastern Shore, respectively.

Recent History: Funding for the State Library Resource Center has equaled $1.85 per State resident since fiscal 2004. Chapter 481 of 2005 started a phase-in of enhancements for the regional resource centers, increasing the per resident allocation by $1 per year to get from $4.50 per resident in fiscal 2006 to $8.50 per resident by fiscal 2010. However, Chapter 2 of the 2007 special session deferred the $1 formula increase for fiscal 2009 and restarted the phase-up in fiscal 2010.

Location of Provision(s) in the Bill: Section 1 (pp. 22-24)

Analysis prepared by: Mark W. Collins, Erin M. Dorrien, and Caroline L. Boice

Retirement Costs for Certain Local Employees

Provision in the Bill: Eliminates State funding of retirement costs for certain local officials, including State's attorneys, sheriffs, county treasurers, county commissioners, orphans' court judges, bingo board members, and liquor and license board members. Instead, the counties that employ these individuals are responsible for paying their retirement costs.

Agency: Payments to Civil Divisions

Type of Action: Mandate relief

Fiscal Impact:			*($ in millions)*			
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$0	($2.5)	($2.7)	($2.9)	($3.2)	($3.5)

State Effect: Mandated general fund expenditures decrease by $2.5 million in fiscal 2010 contingent on legislation to require local jurisdictions to pay the retirement costs for certain local officials. Future year expenditure reductions assume approximately 9% annual growth in the program due to increasing salaries and an increasing State contribution rate for retirement expenses.

Local Effect: State aid to local jurisdictions will decrease by $2.5 million in fiscal 2010 and by an estimated $3.5 million in fiscal 2014. Seventeen jurisdictions currently participate in the program, with the State paying the retirement costs of 206 local employees. Approximately 88% of funds support 162 Baltimore City employees. The loss of fiscal 2010 aid for each jurisdiction is shown in **Appendix C2**.

Program Description: Under State law, appointed or elected officials of the State are eligible to be members of the State employees' retirement systems. The statute specifies that this provision applies to State's Attorneys and sheriffs. Over the years, judicial decisions and Attorney General opinions have interpreted these provisions to include county treasurers, county commissioners, orphans' court judges, bingo board members, and liquor and license board members.

Location of Provision(s) in the Bill: Section 1 (pp. 36-37)

Analysis prepared by: David Juppe

Waterway Improvement Fund

Provision in the Bill: Repeals a mandated, annual general fund appropriation of $1,794,000 to the Waterway Improvement Fund (WIF). The bill also removes a prohibition on the use of WIF revenue for administrative expenses and authorizes use of up to $750,000 in WIF special funds annually for program administration.

Agency: Department of Natural Resources

Type of Action: Mandate relief; fund swap

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($2.5)	($2.5)	($2.5)	($2.5)	($2.5)

State Effect: Mandated general fund expenditures for WIF decrease by $1.8 million annually starting in fiscal 2010.

Using WIF special funds to support up to $750,000 annually in administrative expenses for the program reduces the program's reliance on general funds. A fiscal 2010 general fund reduction of $750,000 in the Department of Natural Resources Office of the Secretary is contingent on legislation authorizing the use of WIF funds to pay administrative costs.

Local Effect: Local governments are eligible for grants from WIF. Less program funding would be available for public boating access projects such as marinas, boat ramps, and volunteer fire department water rescue equipment purchases.

Program Description: WIF finances projects to expand and improve public boating access throughout the State. Financial support for the fund is derived from the 5% excise tax on the sale of motorized vessels within the State.

Recent History: The Budget and Reconciliation Financing Act of 2002 redirected $8.0 million in unexpended WIF revenues to the general fund and authorized up to 50% of the monies in WIF to be used, in fiscal 2003 and 2004 only, for administrative expenses directly relating to implementing the purposes of the fund. This adjustment was made with the understanding that the fund would be evaluated as part of a larger effort to improve the Department of Natural Resources' (DNR) special funds management and collection practices. That effort was postponed until the 2003 interim.

The Budget and Reconciliation Financing Act of 2003 modified the authorization to use WIF for administrative expenses in fiscal 2003 and 2004 by repealing the 50% limitation. That modification was necessary because the legislation also diverted $19.0 million in WIF monies to the general fund for cost containment purposes: $8.0 million in unexpended fiscal 2003 funds and $11.0 million in fiscal 2004 special fund revenues.

The DNR Special Funds Workgroup concluded its study during the 2003 interim and recommended temporarily authorizing use of WIF for administrative purposes, but establishing a schedule for reducing the 10% administrative cost rate applied by DNR by 2% a year, until it was eliminated for fiscal years after fiscal 2009.

Chapter 6 of the 2007 special session eliminated the allocation of motor fuel tax special fund revenue to WIF and required the inclusion of at least $1.8 million in general funds each year for the fund. DNR has not budgeted these general funds in fiscal 2009 and 2010 due to uncertainty about fund availability.

Location of Provision(s) in the Bill: Section 1 (p. 33)

Analysis prepared by: Amanda Mock and Andrew Gray

Parks Payments to Counties from Concessions in Lieu of Taxes

Provision in the Bill: Prohibits the Department of Natural Resources (DNR) from making revenue sharing payments to counties in fiscal 2010 and 2011, with the exception of payments for revenues generated from the sale of lumber.

Agency: Department of Natural Resources

Type of Action: Revenue sharing relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0.0	($1.9)	($2.0)	$0	$0	$0

State Effect: A special fund expenditure for payments to counties from park revenues is reduced by $1.9 million contingent on the enactment of legislation eliminating the payments in fiscal 2010. A corresponding $1.9 million general fund expenditure reduction is likewise contingent on legislation, with language in the budget bill authorizing the processing of a special fund budget amendment in fiscal 2010 to replace the general fund expenditures with special funds that are not being disbursed to local jurisdictions. The projected fiscal 2011 impact reflects inflation.

Local Effect: Local jurisdiction revenues from Forest or Park Reserve Fund payments in lieu of taxes (PILOT) decrease by an estimated $1.9 million in fiscal 2010 and by an estimated $2.0 million in fiscal 2011. Decreases by county are shown in **Appendix C3**.

Program Description: The Forest or Park Reserve Fund is administered by DNR and is used to purchase and manage State lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. The fund, which generally consists of revenues derived from State forest and park fees, may only be used for purchasing and managing those lands, payments to counties, and administrative costs. The allocations to counties represent either 15% or 25% of the revenue derived from the forests and parks, depending on the percent of county land dedicated to State forests and parks.

Recent History: The actual and projected total PILOT distributions to counties from the Forest or Park Reserve Fund in fiscal 2007 through 2011 are shown below. The bill only affects the allocation of those revenues generated from parks.

Forest or Park Reserve Fund – Payments to Counties
Fiscal 2007 to 2011

Fiscal Year	PILOT – Park Revenues	PILOT – Forest Revenues	Total Payments
2007	$1,582,294	$574,659	$2,156,953
2008	1,675,338	462,128	2,137,466
2009 (estimate)	1,770,106	401,333	2,171,439
2010 (estimate)	1,881,676	401,333	2,283,009
2011 (estimate)	2,013,608	401,333	2,414,941

Location of Provision(s) in the Bill: Section 15 (p. 59)

Analysis prepared by: Amanda Mock and Andrew Gray

Maryland Agricultural and Resource-Based Industry Development Corporation

Provision in the Bill: Reduces mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) from $4,000,000 to $2,750,000 in fiscal 2010 and 2011 only.

Agency: Department of Agriculture

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($1.3)	($1.3)	$0	$0	$0

State Effect: General fund expenditures decrease by $1.25 million in fiscal 2010 and 2011 only due to the change in the required MARBIDCO appropriation.

Local Effect: Local governments may be affected in fiscal 2010 and 2011 to the extent the reduction in mandated funding limits MARBIDCO cost-share support to local government-funded rural business development projects.

Program Description: MARBIDCO, established under Chapter 467 of 2007, is a public corporation and instrumentality of the State helping Maryland's farm, forestry, seafood, and related rural businesses to achieve profitability and sustainability.

Recent History: The Agricultural Stewardship Act of 2006 (Chapter 289) mandated rural business development and assistance funding for MARBIDCO of $1.0 million in fiscal 2007, $3.0 million in fiscal 2008, $3.5 million in fiscal 2009, and $4.0 million in fiscal 2010 through 2020. The full mandated amounts were provided in fiscal 2007 and 2008, but the required fiscal 2009 funding level of $3.5 million was reduced to $3.25 million by the General Assembly and then to $2.75 million by the Board of Public Works in October 2008.

Location of Provision(s) in the Bill: Section 1 (pp. 9-10)

Analysis prepared by: Scott D. Kennedy and Andrew Gray

Maryland State Arts Council

Provision in the Bill: Sets the required minimum appropriation for the Maryland State Arts Council at $13,545,740 for fiscal 2011. Annual inflationary adjustments, equal to the projected increase in general fund revenues, resume in fiscal 2012.

Agency: Department of Business and Economic Development

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	$0	($3.8)	($4.0)	($4.2)	($4.4)

State Effect: General fund expenditures decrease by an estimated $3.8 million in fiscal 2011 due to the change in the mandated funding level. Future year expenditure reductions reflect the impact of inflationary increases on the lowered fiscal 2011 base amount.

Local Effect: The Maryland State Arts Council provides grants to county arts councils. A reduction in State spending for the arts council, therefore, reduces the potential funding available for county grants.

Program Description: The Maryland State Arts Council provides grants to individual artists, arts organizations and presenters, and county arts councils. Under current law, the annual appropriation increases by the projected increase in general fund revenues from one fiscal year to the next.

Recent History: The fiscal 2009 appropriation for the arts council was reduced from $16.5 million to $14.2 million by the Board of Public Works in October 2008. The $14.2 million funding level represents a 6.7% decrease from the fiscal 2008 appropriation of $15.2 million. The fiscal 2010 State budget includes $13.5 million for the council, $3.0 million less than the mandated funding level and the same amount the bill requires for fiscal 2011.

Location of Provision(s) in the Bill: Section 25 (p. 61)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

New Administration Building for Prince George's County Board of Education

Provision in the Bill: Reduces State foundation program funds for the Prince George's County Board of Education by $36,000,000 if the board proceeds with the purchase or lease of a new administration building. This provision of the bill is null and void if House Bill 960 becomes effective.

Agency: Maryland State Department of Education

Type of Action: Contingent mandate relief

Fiscal Impact: None.

State Effect: None. House Bill 960 was enacted, nullifying this provision of the bill.

Local Effect: None.

Program Description: In June 2008, the Prince George's County Board of Education entered into a 10-year, $36 million lease agreement, with an option to buy the property, for the board's occupancy of office buildings known as Washington Plaza I and II. This agreement was a component of a planned consolidation of 15 administrative units from 5 to 2 locations, with 11 offices to be moved to the Washington Plaza location.

House Bill 960, an emergency measure, prohibits the Prince George's County Board of Education from expending any funds for the purpose of leasing, acquiring, or purchasing property in connection with this lease agreement. That bill became effective without the Governor's signature on May 31, 2009.

The Prince George's County Board of Education is expected to receive $517.7 million in foundation funding from State general funds in fiscal 2010. A $36.0 million reduction would represent a decrease of approximately 7%.

Location of Provision(s) in the Bill: Section 49 (pp. 69-70)

Analysis prepared by: Mark W. Collins

Education Programs at Juvenile Services Facilities

Provision in the Bill: Defers for two years the transfer of responsibility for the education programs at Department of Juvenile Services (DJS) facilities to the Maryland State Department of Education (MSDE). MSDE must assume full responsibility for the programs from DJS by July 1, 2014 rather than July 1, 2012.

Agencies: Department of Juvenile Services and Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF/SF/FF Exp	$0	decrease	decrease	decrease	decrease	decrease

State Effect: General, special, and federal fund expenditures may decrease beginning in fiscal 2010. In general, having MSDE provide the educational services at DJS facilities is more costly than having DJS provide them, so extending the deadline should result in less spending in the fiscal years prior to full implementation. The amount of any decrease cannot be reliably estimated. In fiscal 2015, when all educational programs are operated by MSDE, there will be no further savings from this provision.

Program Description: Chapter 535 of 2004 required that MSDE assume responsibility for education at all DJS-operated facilities by July 1, 2012. MSDE is currently providing services in 5 of 14 DJS facilities: the J. DeWeese Carter Youth facility; the Victor Cullen Center; the Charles H. Hickey School; the Lower Eastern Shore Center; and the Baltimore City Juvenile Justice Center. The fiscal 2010 State budget includes no funds to continue the expansion, meaning MSDE would have had to expand services into the nine remaining facilities in fiscal 2011 and 2012 in order to meet the July 1, 2012 deadline.

Location of Provision(s) in the Bill: Section 1 (pp. 22 and 46)

Analysis prepared by: Mark W. Collins

Audit of Maryland Renewable Energy Fund

Provision in the Bill: Repeals a requirement that the Office of Legislative Audits conduct a performance audit of the Maryland Renewable Energy Fund by December 1, 2009.

Agency: Department of Legislative Services

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
SF Exp	$0	decrease	$0	$0	$0	$0

State Effect: Special fund expenditures decrease in fiscal 2010 due to the elimination of the audit requirement. The audit was to be funded from the Maryland Renewable Energy Fund.

Program Description: The Maryland Renewable Energy Fund was established by Chapters 487 and 488 of 2004. The fund is mainly supported by fees paid by electricity suppliers when they are not in compliance with renewable energy portfolio standards and is used to make loans and grants to support the creation of renewable energy sources.

Location of Provision(s) in the Bill: Section 1 (p. 46)

Analysis prepared by: Mark W. Collins

Fiscal 2011 Appropriation to Rainy Day Fund

Provision in the Bill: Relieves the Governor of the requirement to appropriate funds to the Revenue Stabilization Account in fiscal 2011 if the Governor determines that the appropriation would result in the loss of federal funds under the American Recovery and Reinvestment Act of 2009 (ARRA).

Agency: Department of Budget and Management

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	$0	decrease	$0	$0	$0

State Effect: General fund expenditures may decrease in fiscal 2011 if the Governor determines that an appropriation to the Revenue Stabilization Account ("Rainy Day Fund") will result in the loss of federal ARRA funds.

Program Description: On February 17, 2009, ARRA was signed into law. The purposes of the Act are to promote economic recovery, assist those most impacted by the recession, and stabilize state and local government budgets. Maryland's fiscal 2010 State budget appropriates nearly $2 billion in federal funds authorized by ARRA, with another $1.5 billion available to be brought in through budget amendment or appropriated in future fiscal years. ARRA includes safeguards to ensure that states do not simply supplant State funding with the new federal funds. For example, one of these provisions indicates that a state is not eligible for an increased federal Medicaid match if amounts directly or indirectly attributable to the increase are credited into any reserve or Rainy Day Fund of the state.

Under current Maryland law, the Governor is required to include appropriations to the Rainy Day Fund in the annual budget proposal if the amount in the fund is below 7.5% of projected general fund revenues for the fiscal year.

Location of Provision(s) in the Bill: Section 35 (p. 67)

Analysis prepared by: Mark W. Collins

State Funding of School Facilities Survey

Provision in the Bill: Repeals a requirement that the State provide funds to conduct surveys of the condition of public school facilities in Maryland at least every four years.

Agency: Interagency Committee on School Construction

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	$0	$0	$0	$0	decrease

State Effect: General fund expenditures could decrease in fiscal 2014 and every four years thereafter due to the elimination of the requirement that the State fund public school facilities surveys. The survey has not been funded in the past, and the fiscal 2010 State budget does not include funds for the survey.

Local Effect: Without specific State funding, school facilities surveys will have to be conducted using the resources of local school systems.

Program Description: The Public School Facilities Act of 2004 (Chapters 306 and 307) requires the Maryland State Department of Education to adopt regulations for surveys of the condition of public school facilities at least once every four years. The surveys must be similar to the survey that was done in 2003 for the Task Force to Study Public School Facilities. That survey, which was completed without any specific State funding for the purpose, found that Maryland public schools were in need of nearly $4 billion in improvements and additions to meet capacity needs and existing facilities standards. A follow-up to that survey has not occurred.

Location of Provision(s) in the Bill: Section 1 (pp. 45-46)

Analysis prepared by: Mark W. Collins

Residential Child Care Group Home Rates

Provision in the Bill: Restricts the fiscal 2010 rates for residential child care providers that have their rates set by the Interagency Rates Committee (IRC) to the rates in effect on January 21, 2009.

Agency: Department of Human Resources and Department of Juvenile Services

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($6.5)	$0	$0	$0	$0
FF Exp	0	(2.9)	0	0	0	0

State Effect: Fiscal 2010 general fund expenditures decrease by an estimated $5.5 million for the Department of Human Resources (DHR) and an estimated $1.0 million for Department of Juvenile Services (DJS), and federal fund expenditures decrease by $2.9 million. Language in the fiscal 2010 budget bill will reduce the DHR budget by $5.5 million in general funds and $2.9 million in federal funds contingent on passage of legislation freezing the provider rates. Underfunding in the DJS budget has effectively accounted for the estimated fiscal 2010 savings, and no contingent reductions are executed for DJS. The Department of Health and Mental Hygiene (DHMH) places very few children in placements receiving rates from IRC; therefore, no savings from the rate freeze are assumed for DHMH.

Since the IRC rates are set based on estimated costs for services, there are no ongoing savings as a result of the fiscal 2010 rate freeze.

Program Description: IRC comprises representatives from the Department of Budget and Management, DHMH, DHR, the Maryland State Department of Education, and the Governor's Office for Children. It establishes rates for providers of out-of-home residential services for children.

Recent History: As part of the fiscal 2009 cost containment actions taken by the Board of Public Works, provider rates set through the IRC process were reduced by 1%. This translated into an $800,000 general fund reduction to the budget for DHR. Reductions were not made to DJS or DHMH. Any savings for these agencies will presumably be realized through the reversion of funds at the end of fiscal 2009.

Location of Provision(s) in the Bill: Section 8 (p. 57)

Analysis prepared by: Steven D. McCulloch and Jennifer Botts

Disparity Grants

Provision in the Bill: Limits the amount a county or Baltimore City may receive through the disparity grant to the amount the jurisdiction receives in fiscal 2010.

Agency: Payments to Civil Divisions

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	$0	($6.1)	($12.4)	($19.1)	($26.2)

State Effect: General fund expenditures decrease by an estimated $6.1 million in fiscal 2011 due to the cap on the grants. Future years reflect estimates of growth in the program.

Local Effect: State aid to counties and Baltimore City decreases by an estimated $6.1 million in fiscal 2011 and by an estimated $26.1 million in fiscal 2014. The amount any jurisdiction receives through the disparity grant may not exceed the amount it receives in fiscal 2010.

Program Description: Disparity grants address the difference in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for most counties. A county with per capita taxable income less than 75% of the statewide average receives a grant, unless the county has an income tax rate below 2.4%. Aid received by a county equals the dollar amount necessary to raise the county's per capita income tax revenues to 75% of the statewide average, assuming a 2.54% tax rate.

As shown in the table below, Baltimore City and seven counties (Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico) qualify for grants in fiscal 2010. The grants are based on population estimates for July 2007 and calendar 2007 local income tax revenues raised from a 2.54% local income tax rate. The grant amounts shown in the exhibit represent the highest amounts the counties may receive in subsequent years.

Fiscal 2010 Disparity Grants

Allegany	$7,298,505
Baltimore City	79,051,790
Caroline	2,131,782
Dorchester	2,022,690
Garrett	2,131,271
Prince George's	21,694,767
Somerset	4,908,167
Wicomico	2,197,041
Total	**$121,436,013**

Location of Provision(s) in the Bill: Section 2 (pp. 46-48)

Analysis prepared by: Mark W. Collins

Education Aid Formula Inflation

Provision in the Bill: Limits to 1% the fiscal 2012 inflationary increases for the student transportation formula and the per pupil funding level used in most of the other major education aid formulas.

Agency: Maryland State Department of Education

Type of Action: Cost control

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
			($ in millions)			
GF Exp	$0	$0	$0	($4.5)	($4.6)	($4.8)

State Effect: General fund expenditures decrease by an estimated $4.5 million in fiscal 2012 due to the inflation cap on the student transportation formula, which currently has a minimum annual inflationary increase of 3%. Future years reflect the compounding impact of the reduced fiscal 2012 amount for the formula.

The limit on inflation for the per pupil funding level is not expected to affect education aid because inflation projections suggest that inflation will be below the 1% threshold established by the bill. If actual inflation exceeds the 1% limit, general fund expenditures decrease significantly in fiscal 2012 and thereafter.

Local Effect: State aid to local school systems decreases by an estimated $4.5 million in fiscal 2012 and by an estimated $4.8 million in fiscal 2014 due to the cap on the inflation factor used for the student transportation formula, which would otherwise increase by at least 3% annually.

If actual inflation exceeds the 1% limit on the per pupil funding level, State aid for local school systems will decrease significantly in fiscal 2012 and thereafter.

Program Description: The federal American Recovery and Reinvestment Act of 2009 (ARRA) will provide Maryland with $721.2 million in State Fiscal Stabilization Funds for education to be spent in fiscal 2010 and 2011. The funds are designed to ensure that states are able to maintain existing State education funding formulas during the economic downturn. Using the first $296 million of these funds, State aid for education totals $5.5 billion in fiscal 2010. The federal funds will no longer be available to support education aid formulas after fiscal 2011, creating the potential for a steep increase in the amount of State funds needed to finance the formulas in fiscal 2012.

The per pupil funding level (or “target per pupil foundation amount”) affects State funding under the foundation program; the geographic cost of education index; the compensatory education, special education, and limited English proficiency formulas; and the guaranteed tax base program. Together, these programs provide $4.3 billion in State aid in the fiscal 2010 State budget. The funding formulas for the Maryland School for the Deaf and Maryland School for the Blind also use the increase in the per pupil funding level to determine minimum annual appropriations.

Recent History: The Budget Reconciliation Act of the 2007 special session (Chapter 2), eliminated inflationary increases in the per pupil funding levels for fiscal 2009 and 2010. Also, beginning in fiscal 2011, annual inflationary adjustments were modified to be the lesser of (1) the change in the implicit price deflator for State and local government expenditures for the second prior year; (2) the change in the consumer price index for all urban consumers for the Baltimore-Washington metropolitan area for the second prior year; or (3) 5%.

Location of Provision(s) in the Bill: Section 1 (pp. 10 and 11)

Analysis prepared by: Mark W. Collins

Mandated Appropriation Increases

Provision in the Bill: Relieves the Governor of the obligation to provide for any increases beyond the amounts provided in the fiscal 2010 State budget for any program or item in the fiscal 2011 and 2012 budget proposals. The provision does not apply to programs and items addressed in this bill, mandated State aid for primary and secondary education, the State's required retirement contributions, and required appropriations to the Revenue Stabilization Account.

Agencies: Multiple

Type of Action: Cost control

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF/SF Exp	$0	$0	decrease	decrease	decrease	decrease

State Effect: General and special fund expenditures may decrease in fiscal 2011 and 2012 due to the elimination of mandated increases in appropriations. Future years may be affected to the extent that lower appropriations in fiscal 2011 and 2012 reduce mandated amounts for future fiscal years. The actual impact will depend on budget decisions made by the Governor and cannot be reliably estimated.

Local Effect: State aid to local jurisdictions could be affected by the provision; however, the impact cannot be reliably estimated.

Recent History: A September 2007 report by the Department of Legislative Services indicated that spending for mandates and entitlements consumed more than two-thirds of the State's general fund budget in fiscal 2008, a proportion that has grown in recent years. The table below shows that total general fund spending grew 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.

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

	FY 2004	FY 2008	FY 2004-2008 $ 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**	

Location of Provision(s) in the Bill: Section 34 (p. 67)

Analysis prepared by: Mark W. Collins

Cover Crop Activities

Provision in the Bill: Increases the percentage of onsite sewage disposal system user fee revenues allocated to cover crops from 40% to 77.6% and reduces the percentage of the revenues devoted to septic system upgrades from 60% to 22.4% for fiscal 2010.

Agencies: Maryland Department of Agriculture

Type of Action: Special fund swap

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
	($ in millions)					
SF Exp	$0	$5.0	$0	$0	$0	$0

State Effect: Special fund expenditures increase by $5.0 million in fiscal 2010 due to the one-year alteration to the distribution of onsite sewage disposal system user fee revenues. These revenues will be credited to the Maryland Agriculture Water Quality Cost Share Program and used for cover crop activities. Without the change in revenue dedication, the funding would be credited to the Bay Restoration Fund Septic Account to be used for septic system upgrades; however, the account has an unexpended balance and the funds would not have been spent this year. The account will still have a closing fiscal 2010 fund balance of approximately $9.0 million after the $5.0 million revenue reduction.

Program Description: Chapter 428 of 2004 established the Bay Restoration Fund to be administered by the Maryland Water Quality Financing Administration within the Maryland Department of the Environment. The main goal of the fund is to provide grants to owners of wastewater treatment plants to reduce nutrient pollution to the Chesapeake Bay. As a revenue source for the fund, the bill established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Of the revenue collected from users of septic systems and sewage holding tanks, 60% is deposited into a separate account within the fund for upgrades of failing septic systems, while 40% is transferred to the Maryland Agricultural Water Quality Cost Share Program within the Maryland Department of Agriculture to provide financial assistance to farmers for cover crops. This bill changes the distribution for one year.

Recent History: Chapter 127 of 2009 made changes to the Bay Restoration Fund statute by (1) prohibiting any reduction in the bay restoration fee as long as bonds are outstanding; (2) prohibiting the reversion or transfer of money in the Bay Restoration Fund to a special fund; (3) requiring that the Bay Restoration Fund

Advisory Committee make an annual recommendation for the appropriate restoration fee assessment increase needed to meet the financing needs of the Bay Restoration Fund; and (4) making the authorization for use of the Bay Restoration Fund for projects related to the removal of nitrogen from onsite sewage disposal systems and cover crop activities subject to the allocation of funds.

Location of Provisions in the Bill: Section 17 (p. 60)

Analysis prepared by: Andrew Gray

Program Open Space Administration

Provision in the Bill: Authorizes the use of $1,217,000 of the State's share of the Program Open Space (POS) funds in fiscal 2010 and 2011 for administrative expenses in the Department of Natural Resources (DNR), Department of General Services, and Maryland Department of Planning. In addition, the bill expands the allowable uses of POS funds to include capital improvements on land owned by the State for the use by the Historic St. Mary's Commission and museums operated by the Maryland Historical Trust. The maximum Program Open Space Contingency Fund is also increased from $250,000 to $1,000,000.

Agency: Department of Natural Resources

Type of Action: Special fund reallocation

Fiscal Impact: None.

State Effect: POS special fund expenditures of $1.2 million per year are shifted from land acquisition to other purposes for fiscal 2010 and 2011 only. The reallocation is contingent on legislation authorizing the use of $1.2 million in POS funds for other administrative expenses.

Likewise, allowing POS funds to be used for additional capital improvement projects may result in the reallocation of special funds but will not affect total special fund expenditures. Increasing the maximum contingency fund will not affect State expenditures.

Program Description: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another has been used to fund several programs in DNR and the Maryland Department of Agriculture. However, before any program-specific allocations are made, 3% of the transfer tax revenue is distributed to DNR and the other agencies involved in POS for their administration of the program.

Recent History: The steep decline in transfer tax revenues has resulted in insufficient funding for POS administration. This provision of the bill would resolve that problem for fiscal 2010 and 2011.

Location of Provision(s) in the Bill: Section 1 (pp 31-32)

Analysis prepared by: Amanda Mock and Andrew Gray

Low-income Weatherization

Provision in the Bill: Eliminates the requirement that $1,000,000 from the electric universal service program (EUSP) be provided to the Department of Housing and Community Development (DHCD) for low-income weatherization and instead specifies that up to $1,000,000 may be provided to DHCD annually.

Also, the existing requirement for a performance audit of EUSP once every three years is changed to instead require a standard audit at least once every three years and the requirement that the audit be funded with EUSP special funds is also repealed.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief; reallocation of special funds

Fiscal Impact: None.

State Effect: Eliminating the mandate that $1.0 million from EUSP be spent for low-income weatherization assistance may result in additional spending for electric bill assistance but will not affect overall special fund spending. There is a $1.0 million special fund reduction in the appropriation for low-income home weatherization programs contingent on the enactment of legislation reducing the required transfer from EUSP. Changes to the audit are not expected to materially affect State expenditures.

Program Description: Maryland's low-income weatherization programs help eligible households reduce their energy bills by installing energy conservation materials in homes. Maryland will receive approximately $65 million in federal weatherization assistance funds under the federal American Recovery and Reinvestment Act.

EUSP helps to make electric bills more affordable for low-income customers through bill assistance and arrearage retirement. The Department of Human Resources operates the program.

Recent History: The fiscal 2010 State budget includes $2.5 million for low-income weatherization efforts at DHCD from the Strategic Energy Investment Fund, which collects revenues from the auction of the carbon dioxide allowance under the Regional Greenhouse Gas Initiative.

Location of Provision(s) in the Bill: Section 1 (pp. 33-35)

Analysis prepared by: Flora Arabo, Evan Isaacson, and Erik Timme

New Human Resources System

Provision in the Bill: Asserts that the State's existing human resources management system is outmoded and inefficient and requires the Department of Budget and Management (DBM) to establish a mechanism to fund the development, acquisition, and implementation of a new statewide system. A new budget subobject code must be created and included in the budget for each agency. Through the new code, agencies will be charged in fiscal 2011, 2012, and 2013 for the cost of the new system, with the costs for each agency apportioned based on the number of authorized positions on June 30 of the second prior fiscal year. In fiscal 2011, at least $5,000,000 must be included in the new subobject code for the system.

Agencies: All

Type of Action: Efficiency measure

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	$0	$3.0	$3.0	$3.0	$0
SF Exp	0	0	1.0	1.0	1.0	0
FF Exp	0	0	1.0	1.0	1.0	0

State Effect: Expenditures increase by a total of at least $5.0 million in fiscal 2011 due to the requirement that a new human resources management system be funded. Creating the new subobject budget code to charge back agencies will provide for a mix of roughly 60% general funds, 20% special funds, and 20% federal funds to support the system's development and implementation. It is assumed that approximately $5.0 million in annual costs will continue in fiscal 2012 and 2013.

Location of Provision(s) in the Bill: Section 39 (p. 69)

Analysis prepared by: Mark W. Collins

State Employee Temporary Salary Reduction Plan

Provision in the Bill: Requires that any employment hours lost by a State employee due to a temporary salary reduction plan be included in the calculation of the employee's pension benefits and member contributions.

In addition, for any employee who terminates State employment during a temporary salary reduction, compensation for unused annual leave must be calculated using the rate of compensation in effect immediately prior to the temporary salary reduction. The provision applies retroactively to employees who left State employment on or after February 11, 2009.

Agency: State Retirement Agency and Department of Budget and Management

Type of Action: Clarification

Fiscal Impact: Negligible.

State Effect: The pension benefit and contribution provisions have no fiscal effect because they reflect current practice; the unpaid leave reimbursement provision has a negligible effect on State expenditures.

The Department of Budget and Management (DBM) has not adjusted member contributions deducted from participating employees' paychecks to reflect the temporary salary reduction. Further, any potential reduction in employee pension benefits has not been reflected in the actuarial calculations of the State Retirement and Pension System's (SRPS) liabilities or employer contribution rates. If this provision is not enacted, however, the State would have to refund the difference in member contributions to all members, and the SRPS actuary would have to reflect the reduction in pension benefits in the June 30, 2009 actuarial valuation, which determines employer contribution rates for fiscal 2011.

The fiscal 2009 working appropriation includes $10.1 million (all funds) for accrued leave payouts. Given that the salary reduction amounts to 0.8% of annual compensation, the potential foregone savings of the additional leave payouts is approximately $80,000 in fiscal 2009. In the absence of this provision, however, it is likely that many employees contemplating retirement or termination may choose to defer their decision for three months to avoid the reduced benefit, so the potential costs are presumed to be even smaller.

Background: Executive Order 01.01.2008.20, dated December 16, 2008, requires all State employees, except certain exempt Executive Branch employees and employees in the Legislative and Judicial branches, to forego the equivalent of two full days of compensation prior to the end of fiscal 2009. The order charges the Secretary of Budget and Management with implementing the salary reduction plan. Under the plan of the Executive Branch, salary reductions are reflected in the final 10 paychecks of the fiscal year, beginning March 4, 2009. Based on a 250-day work year, the total salary reduction is 0.8% of annual compensation. The combined savings from the salary reduction plan and a companion furlough plan also included in the executive order is $34.4 million in general fund expenditures and $8.9 million in special fund expenditures; budget amendments for federal fund expenditure reductions have not been submitted by DBM.

Chapter 62 of 1992 requires that SRPS members receive service credit for any work hours lost due to a mandatory furlough, but does not refer to temporary salary reduction plans. It also makes no adjustment to employee pension contributions. At the time it passed, the Employees' Pension System (EPS) was noncontributory, so members made no contribution. However, members of the closed Employees' Retirement System paid either 5% or 7% of their earnable compensation; members of public safety plans also made contributions. EPS became a contributory system in 1998; under Chapter 110 of 2006, members now pay 5% of earnable compensation.

Upon termination from State employment, an employee is entitled to cash reimbursement of up to 10 weeks of unused annual leave. The reimbursement is calculated at the employee's compensation level at the time of termination.

Location of Provision(s) in the Bill: Sections 18 and 19 (pp. 60 and 61)

Analysis prepared by: Michael C. Rubenstein

County Maintenance of Effort for Local Boards of Education

Provision in the Bill: Extends from April 1, 2009 to May 1, 2009, the deadline for counties to apply for fiscal 2010 maintenance of effort waivers from the State Board of Education. For a county that applies for a waiver after the April 1 deadline, the State Board of Education must issue a decision by June 1, 2009. Counties that apply for waivers by April 1 may modify or resubmit their applications by May 1.

In addition, the bill alters the maintenance of effort requirement somewhat to specify that, if a county receives a waiver from the maintenance of effort requirement, the required local appropriation for the fiscal year after the waiver will be based on the greater of the per pupil local appropriation from the prior year or the second prior year.

Agency: State Board of Education

Type of Action: Deadline extension

Fiscal Impact: None for the State.

Local Effect: A local jurisdiction that receives a maintenance of effort waiver and subsequently reduces its per pupil appropriation to the local school system will be unable to rebase the required maintenance of effort level at the reduced amount. The required maintenance of effort appropriation will remain at the level provided in the second prior fiscal year.

Program Description: To be eligible for increases in the State share of the foundation program, the State's largest aid to education program, a local jurisdiction must provide at least as much funding per pupil to the local school system as it provided in the previous fiscal year. Chapter 175 of 1996 added a waiver provision that allows counties to request a partial or temporary waiver from the maintenance of effort requirement from the State Board of Education. Until fiscal 2010, the waiver option had never been used, but three counties (Montgomery, Prince George's, and Wicomico) applied for waivers for fiscal 2010. All three applications were denied by the State Board of Education.

Location of Provision(s) in the Bill: Sections 1 and 40 (pp. 11 and 69)

Analysis prepared by: Mark W. Collins

Appendix B

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GENERAL FUND REVENUES						
Fund Balance Transfers						
Local Income Tax Reserve Account	366,778,631					
Program Open Space	141,300,000					
Dedicated Purpose Account	73,000,000					
State Police Helicopter Fund	52,700,000					
University System of MD Fund Balance	29,000,000					
Injured Workers Insurance Fund	28,000,000					
Trauma Physician Services Fund	17,000,000					
Community Health Resources Fund	12,100,000					
Insurance Trust Fund	10,000,000					
Unemployment Compensation Account	10,000,000					
MD Automobile Insurance Fund	7,000,000					
MEDAAF	6,000,000	6,000,000				
Economic Development “Sunny Day” Fund	5,000,000					
Universal Service Trust Fund	5,000,000					
Central Collection Fund	5,000,000	10,000,000	14,496,685	7,170,000	7,370,000	7,570,000
Board of Physicians	3,200,000					
Used Tire Cleanup and Recycling Fund	3,000,000					
Senior Prescription Drug Program	2,659,204					
Oil Disaster Containment Fund	2,006,000					
Maryland Health Care Commission	2,000,000					
Insurance Regulation Fund	1,605,035					
Vehicle Theft Prevention Fund	1,000,000					
School Bus Safety Enforcement Fund	900,000					
Board of Nursing	500,000					
Assessments and Taxation Fund	435,721					
Small Business Pollution Compliance Fund	277,785					
Catastrophic Event Fund		7,398,109				
Subtotal – Transfer Revenue	***785,462,376***	***23,398,109***	***14,496,685***	***7,170,000***	***7,370,000***	***7,570,000***

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Other General Fund Revenue Actions						
Move Transfer Tax Revenues to GF		30,971,139				
Reduce Local Highway User Revenues		161,919,000	101,920,000			
Reduce Dedication to Bay 2010 Fund		21,486,556				
Reduce Lottery Commissions		8,568,500	8,782,713	8,975,932		
Reduce Coal Credits		4,500,000	4,500,000	1,500,000	1,500,000	
Continue Higher Ed. Investment Fund		(45,236,000)				
Couple with Federal ARRA Tax Breaks	(4,600,000)	(29,500,000)				
Subtotal – Other Revenue Actions	***(4,600,000)***	***152,709,195***	***115,202,713***	***10,475,932***	***1,500,000***	***0***
TOTAL GENERAL FUND REVENUES	**780,862,376**	**176,107,304**	**129,699,398**	**17,645,932**	**8,870,000**	**7,570,000**
SPECIAL FUND REVENUES						
Increase Drinking Driver Monitoring Fee	114,000	1,368,000	7,524,000	7,524,000	7,524,000	7,524,000
Continue Higher Ed Investment Fund		45,236,000				
Recognize Add. Uncomp. Care Revenue		9,000,000				
Reduce Dedication to Bay 2010 Fund		(21,486,556)				
TOTAL SPECIAL FUND REVENUES	**114,000**	**34,117,444**	**7,524,000**	**7,524,000**	**7,524,000**	**7,524,000**
GENERAL FUND EXPENDITURES						
Withdrawn/Recaptured Appropriations						
Unused FY 2009 COLA Funds	(1,598,760)					
Education and Library Aid Overpayments		(31,391,736)	(4,703,943)	(4,703,943)	(4,703,943)	(4,703,943)
Subtotal – Recaptured Appropriations	***(1,598,760)***	***(31,391,736)***	***(4,703,943)***	***(4,703,943)***	***(4,703,943)***	***(4,703,943)***
Fund Swaps						
AIDS Drug Rebates for AIDS Insurance	(786,720)	(867,035)	(875,705)	(884,462)	(893,307)	(902,240)
Drinking Driver Monitoring Fee Increase	(114,000)	(1,368,000)	(7,524,000)	(7,524,000)	(7,524,000)	(7,524,000)
InterCounty Connector Payment		(63,000,000)	(63,913,000)			
Health Care Coverage Fund for Medicaid		(53,500,000)	13,749,561	39,750,439		
Use HEIF to Fund Higher Education		(46,532,000)				
Increase RGGI Funds for Energy Assistance		(35,556,999)	(35,556,999)			
Redirect Medicare for Employee/Retiree Health		(24,584,082)	(26,304,967)	(28,146,314)		
Reduce CRF Smoking Prevention Mandate		(13,828,224)	(14,000,000)			

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Reduce Comm. Health Resources Fund Mandate		(9,100,000)				
Use Hospital Assessments for Base Medicaid		(9,000,000)				
Reduce CRF Academic Health Centers Mandate		(5,400,000)	(5,550,000)			
Universal Service Trust Fund for MSD		(5,000,000)				
Use FFs for Md Health Insurance Program		(4,500,000)	(9,000,000)	(9,000,000)	(9,000,000)	(9,000,000)
Use SFs for the Prince George's Hospital		(4,000,000)		12,000,000		
Use Fair Campaign Funds for Voting System		(2,000,000)				
Use Used Tire Fund for Operations		(1,800,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)
Use Waterway Improvement Funds for Admin		(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
Subtotal – Fund Swaps	***(900,720)***	***(280,786,340)***	***(151,625,110)***	***3,545,663***	***(20,067,307)***	***(20,076,240)***
General Fund Mandate Relief						
Eliminate State Employee Pay Increases		(60,342,395)	(62,997,460)	(65,769,348)	(68,663,199)	(71,684,380)
Reduce Community College Mandate		(34,049,128)	(30,323,155)	(30,990,108)	(21,456,154)	575,340
Alter State Reimbursement for Local Jails		(24,016,000)	(17,437,210)	(18,667,322)	(19,946,638)	(21,277,128)
Reduce State Share of Nonpublic Placements		(16,110,024)	(16,790,164)	(17,604,634)	(18,548,278)	(19,588,812)
Reduce Funding for Private Universities		(13,901,729)	(10,864,219)	(12,574,715)	(8,369,006)	(3,487,750)
Eliminate Deferred Compensation Match		(11,833,299)				
Eliminate General Funds for Aging Schools		(11,666,661)	(5,702,340)	(1,441,330)	(1,472,608)	(1,503,683)
Change Teacher Quality Incentives		(5,325,000)	(5,325,000)	(5,325,000)	(5,325,000)	(5,325,000)
Limit Increase for Balt. City Comm. College		(2,616,160)	(1,104,696)	(1,404,164)	(1,374,101)	(5,354)
Local Employee Retirement		(2,474,302)	(2,682,306)	(2,917,096)	(3,172,368)	(3,455,596)
Reduce Local Aid for Libraries		(2,410,213)	(4,865,252)	(2,429,346)		
Eliminate Parks Payments to Counties		(1,881,877)	(2,013,608)			
Eliminate Waterway Improv. Fund Mandate		(1,794,000)	(1,794,000)	(1,794,000)	(1,794,000)	(1,794,000)
Reduce Funding for State Library Network		(1,695,959)	(2,628,919)	(931,974)		
Reduce Funding for Jail Back-up		(1,694,431)	(1,858,631)	(2,029,399)	(2,206,998)	(2,391,700)
Reduce MARBIDCO Mandate		(1,250,000)	(1,250,000)			
Defer Payment for PDIP		(119,731)	119,731			
Reduce FY 2011 Arts Council Mandate			(3,810,741)	(4,012,710)	(4,197,294)	(4,365,185)
Subtotal – GF Mandate Relief	***0***	***(193,180,909)***	***(171,327,970)***	***(167,891,146)***	***(156,525,645)***	***(134,303,248)***
Cost Control/Efficiency Measures						
Freeze Foster Care Group Home Rates		(6,546,994)				
Limit Increases in Nonpublic Rates		(3,924,228)	(4,105,527)	(4,317,256)	(4,557,647)	(4,821,184)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cap Disparity Grants			(6,071,787)	(12,447,187)	(19,141,387)	(26,170,287)
Limit Education Aid Increases for FY12				(4,485,822)	(4,641,841)	(4,813,116)
Charge Agencies for New Personnel System			3,000,000	3,000,000	3,000,000	
Subtotal – Cost Control/Efficiency	***0***	***(10,471,222)***	***(7,177,314)***	***(18,250,265)***	***(25,340,875)***	***(35,804,587)***
TOTAL GENERAL FUND EXPENDITURES	**(2,499,480)**	**(515,830,207)**	**(334,834,337)**	**(187,299,691)**	**(206,637,770)**	**(194,888,018)**
SPECIAL FUND EXPENDITURES						
Unexpended Small Business Health Funds	(13,500,000)					
Reduce Local Highway User Revenues		(161,919,000)	(101,920,000)			
Use GO Bonds to Fund Transfer Tax Projects		(30,971,139)				
Chesapeake and Atlantic Coastal Bays Fund		(21,486,556)				
Eliminate State Employee Pay Increases		(11,889,862)	(12,413,016)	(12,959,189)	(13,529,393)	(14,124,686)
Eliminate Deferred Compensation Match		(4,280,707)				
Charge Agencies for New Personnel System			1,000,000	1,000,000	1,000,000	
Fair Campaign Fin. Fund for Voting Machines		2,000,000				
Universal Services Trust Fund for MSD		5,000,000				
Increase Bay Restoration Funds for Cover Crops		5,000,800				
Use Hospital Assessments for Base Medicaid		9,000,000				
Payment to the Prince George's Hospital		12,000,000		(12,000,000)		
Continue Higher Ed. Investment Fund		45,236,000				
Health Care Coverage Fund for Medicaid		53,500,000	(13,749,561)	(39,750,439)		
Drinking Driver Monitoring Fee Increase	114,000	1,368,000	7,524,000	7,524,000	7,524,000	7,524,000
AIDS Drug Rebates for AIDS Insurance	786,720	867,035	875,705	884,462	893,307	902,240
TOTAL SPECIAL FUND EXPENDITURES	**(12,599,280)**	**(96,575,429)**	**(118,682,872)**	**(55,301,166)**	**(4,112,086)**	**(5,698,446)**
FEDERAL FUND EXPENDITURES						
Eliminate State Employee Pay Increases		(6,576,636)	(6,866,008)	(7,168,112)	(7,483,509)	(7,812,783)
Eliminate Deferred Compensation Match		(4,314,091)				
Freeze Foster Care Group Home Rates		(2,857,542)				
Charge Agencies for New Personnel System			1,000,000	1,000,000	1,000,000	
Medicaid Expenditures for MHIP		4,500,000	9,000,000	9,000,000	9,000,000	9,000,000
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(9,248,269)**	**3,133,992**	**2,831,888**	**2,516,491**	**1,187,217**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
REIMBURSEABLE FUND EXPENDITURES						
Eliminate State Employee Pay Increases		(736,569)	(768,978)	(802,813)	(838,137)	(875,015)
Eliminate Deferred Compensation Match		(336,721)				
TOTAL REIMB. FUND EXPENDITURES	**0**	**(1,073,290)**	**(768,978)**	**(802,813)**	**(838,137)**	**(875,015)**
HIGHER EDUCATION EXPENDITURES						
Eliminate State Employee Pay Increases		(12,215,246)	(12,752,717)	(13,313,837)	(13,899,646)	(14,511,230)
Eliminate Deferred Compensation Match		(2,922,648)				
TOTAL HIGHER ED. EXPENDITURES	**0**	**(15,137,894)**	**(12,752,717)**	**(13,313,837)**	**(13,899,646)**	**(14,511,230)**
BOND EXPENDITURES						
InterCounty Connector Payments		55,000,000	156,913,000			
Program Open Space		102,271,139				
TOTAL BOND EXPENDITURES	**0**	**157,271,139**	**156,913,000**	**0**	**0**	**0**

Appendix C1
Fiscal 2010 Impact of Budget Reconciliation and Financing Act on Education Aid
($ in Thousands)

School System	Fiscal 2009 Overpayments	Nonpublic Placements	Aging Schools*	Quality Teacher Incentives	Total Reduction in Education Aid
Allegany	($879)	($114)	($187)	$0	($1,180)
Anne Arundel	(5,154)	(1,307)	(966)	0	(7,428)
Baltimore City	0	(3,246)	(2,651)	0	(5,897)
Baltimore	(5,992)	(1,941)	(1,670)	0	(9,602)
Calvert	(896)	(117)	(73)	0	(1,085)
Caroline	(357)	(28)	(96)	0	(481)
Carroll	(1,430)	(447)	(262)	0	(2,139)
Cecil	(976)	(235)	(183)	0	(1,395)
Charles	(2,545)	(167)	(96)	0	(2,808)
Dorchester	(338)	(8)	(73)	0	(419)
Frederick	(2,148)	(290)	(349)	0	(2,787)
Garrett	0	(25)	(73)	0	(98)
Harford	(1,963)	(635)	(415)	0	(3,013)
Howard	(3,167)	(429)	(168)	0	(3,763)
Kent	0	(16)	(73)	0	(89)
Montgomery	0	(1,704)	(1,151)	0	(2,854)
Prince George's	(68)	(3,593)	(2,310)	0	(5,971)
Queen Anne's	(497)	(45)	(96)	0	(638)
St. Mary's	(1,418)	(90)	(96)	0	(1,603)
Somerset	0	0	(73)	0	(73)
Talbot	0	(3)	(73)	0	(76)
Washington	(1,770)	(208)	(258)	0	(2,236)
Wicomico	(1,241)	(27)	(204)	0	(1,472)
Worcester	0	0	(73)	0	(73)
Unallocated	0	(1,435)	0	(5,325)	(6,760)
Total	**($30,838)**	**($16,110)**	**($11,667)**	**($5,325)**	**($63,940)**

*The capital budget includes $6.1 million in bond premiums to be used for the Aging Schools Program.

Appendix C2
Fiscal 2010 Impact of Budget Reconciliation and Financing Act on Local Aid
($ in Thousands)

County	Education Aid	Library Aid*	Community Colleges	Highway User Revenues	Additional Highway User	Local Employee Retirement	Total Reduction in Local Aid
Allegany	($1,180)	($60)	($815)	($1,832)	($319)	($17)	($4,223)
Anne Arundel	(7,428)	(235)	(4,734)	(7,997)	(9,059)	(39)	(29,492)
Baltimore City	(5,897)	(513)	0	(19,871)	(2,963)	(2,172)	(31,416)
Baltimore	(9,602)	(488)	(5,600)	(10,757)	(8,901)	(29)	(35,376)
Calvert	(1,085)	(44)	(349)	(1,778)	(1,193)	0	(4,449)
Caroline	(481)	(23)	(212)	(1,272)	(304)	(11)	(2,302)
Carroll	(2,139)	(97)	(1,187)	(3,592)	(1,639)	(46)	(8,700)
Cecil	(1,395)	(64)	(780)	(1,991)	(1,004)	(20)	(5,254)
Charles	(2,808)	(79)	(1,114)	(2,578)	(1,551)	0	(8,131)
Dorchester	(419)	(21)	(187)	(1,407)	(320)	(10)	(2,365)
Frederick	(2,787)	(119)	(1,360)	(4,738)	(2,573)	0	(11,577)
Garrett	(98)	(16)	(398)	(1,593)	(350)	(11)	(2,467)
Harford	(3,013)	(146)	(1,728)	(4,172)	(2,150)	0	(11,209)
Howard	(3,763)	(55)	(2,136)	(3,961)	(3,202)	(23)	(13,140)
Kent	(89)	(10)	(80)	(715)	(239)	0	(1,133)
Montgomery	(2,854)	(186)	(6,311)	(11,236)	(12,088)	(14)	(32,689)
Prince George’s	(5,971)	(532)	(3,924)	(9,788)	(5,600)	(13)	(25,828)
Queen Anne’s	(638)	(13)	(262)	(1,472)	(682)	(13)	(3,081)
St. Mary’s	(1,603)	(60)	(358)	(1,979)	(947)	(11)	(4,958)
Somerset	(73)	(21)	(121)	(850)	(108)	0	(1,172)
Talbot	(76)	(7)	(197)	(1,172)	(968)	(19)	(2,439)
Washington	(2,236)	(97)	(1,179)	(3,048)	(1,349)	0	(7,910)
Wicomico	(1,472)	(68)	(721)	(2,376)	(569)	(12)	(5,218)
Worcester	(73)	(10)	(294)	(1,746)	(1,921)	(15)	(4,058)
Unallocated	(6,760)	(1,696)	0	0	0	0	(8,455)
Total	**($63,940)**	**($4,659)**	**($34,049)**	**($101,920)**	**($59,999)**	**($2,474)**	**($267,042)**

*Includes a reduction of $553,243 to recapture fiscal 2009 overpayments that occurred because of an error in the wealth base calculation for Montgomery County.

Appendix C3
Fiscal 2010 Impact of Budget Reconciliation and Financing Act on Local Governments
($ in Thousands)

County	Total Local Aid	Park Revenues	Local Jail Reimbursements*	Jail Backup	Total Reduction
Allegany	($4,223)	($155)	($330)	($39)	($4,747)
Anne Arundel	(29,492)	(255)	(3,880)	(151)	(33,778)
Baltimore City	(31,416)	0	0	0	(31,416)
Baltimore	(35,376)	(166)	(3,410)	(67)	(39,018)
Calvert	(4,449)	(5)	(800)	(10)	(5,264)
Caroline	(2,302)	(47)	(170)	(27)	(2,545)
Carroll	(8,700)	(13)	(890)	(30)	(9,633)
Cecil	(5,254)	(92)	(100)	(76)	(5,522)
Charles	(8,131)	(29)	(1,280)	(95)	(9,535)
Dorchester	(2,365)	0	(390)	(5)	(2,759)
Frederick	(11,577)	(108)	(2,230)	(74)	(13,989)
Garrett	(2,467)	(297)	(150)	(6)	(2,919)
Harford	(11,209)	(37)	(2,850)	(85)	(14,182)
Howard	(13,140)	(48)	(1,040)	(78)	(14,306)
Kent	(1,133)	0	(210)	(4)	(1,347)
Montgomery	(32,689)	(69)	(5,070)	(255)	(38,082)
Prince George’s	(25,828)	(9)	(2,940)	(553)	(29,330)
Queen Anne’s	(3,081)	(2)	(410)	(20)	(3,513)
St. Mary’s	(4,958)	(106)	(940)	(29)	(6,033)
Somerset	(1,172)	(38)	(240)	(7)	(1,457)
Talbot	(2,439)	(4)	(190)	(8)	(2,641)
Washington	(7,910)	(107)	(900)	(54)	(8,971)
Wicomico	(5,218)	0	(710)	(9)	(5,937)
Worcester	(4,058)	(294)	(440)	(15)	(4,807)
Unallocated	(8,455)	0	0	0	(8,455)
Total	**($267,042)**	**($1,882)**	**($29,570)**	**($1,694)**	**($300,188)**

*Excludes an additional $11.9 million owed by the State for past reimbursements that is being eliminated as a liability.