Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 166 (The President)(By Request - Administration)
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. Some provisions terminate June 30, 2011.

Fiscal Summary

State Effect: General fund revenues increase by $606.2 million in FY 2009 due to fund balance transfers and by $39.7 million in FY 2010 due to transfers, elimination of tax credits, and reductions in lottery agent commissions and dedicated special fund revenues. General fund expenditures decrease by $114,000 in FY 2009 and by $483.4 million in FY 2010, mostly due to mandate relief and the use of special and other funds to cover general fund costs. Most of the general fund expenditure decreases are contingent on the enactment of legislation authorizing the reductions; however, $69.3 million are already assumed in the proposed FY 2010 budget. **This bill reduces mandated appropriations.** Other fund types are also affected. Future years reflect ongoing effects.

($ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	$606.2	$39.7	$17.8	$15.0	$14.6
SF Revenue	$.1	$40.6	$45.1	$45.1	$46.5
GF Expenditure	($.1)	($483.4)	($419.2)	($353.2)	($344.9)
SF Expenditure	$.1	$31.4	$28.9	$28.1	$28.5
FF Expenditure	$0	($8.9)	($.6)	($1.0)	($1.6)
ReimB. Exp.	$0	($1.3)	($1.0)	($1.1)	($1.1)
Higher Ed Exp.	$0	($18.6)	($16.5)	($17.3)	($18.2)
Bond Exp.	$0	$146.9	$0	$0	$0
Net Effect	$606.3	$414.2	$471.3	$404.7	$398.3

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

Local Effect: Local income tax revenues decrease by $37.6 million annually from FY 2010 to 2019 to replenish the local income tax reserve account. Local school, library, and community college revenues from State aid decrease, as do payments in lieu of taxes for State parks and reimbursements for local jail expenses. Local expenditures increase to fund the State Department of Assessments and Taxation (SDAT). **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 faces about a $1.2 billion gap between revenues and spending in fiscal 2010. This bill proposes actions that, with the operating budget bill (HB 100), help to bring the budget into balance and retain a projected $46 million fund balance in the general fund at the end of fiscal 2010.

Since the Administration's introduction of the budget bill and this bill in mid-January, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. ARRA included significant federal funds to help states balance their budgets and mitigate reductions to current services, particularly in the education and health areas. The proposed fiscal 2010 State budget assumed $350 million in federal stimulus revenues. The Governor announced plans in late February to use an additional $1.0 billion in federal stimulus funds in fiscal 2009 and 2010 and will submit a supplemental budget that will incorporate use of the federal funds. The Governor's planned use of the additional federal funds is not reflected in this fiscal note.

State Fiscal Effect: The fiscal 2009 and 2010 impact of the bill on the State's general fund is shown in **Exhibit 1**. The exhibit reveals that the bill improves the general fund position by $606.3 million in fiscal 2009, due almost entirely to one-time fund balance transfers specified in the bill. In fiscal 2010, mostly due to $483.4 million in general fund expenditure reductions authorized by this bill, the general fund outlook improves by $523.1 million. The two-year impact on the general fund exceeds $1.1 billion.

A discussion of each provision in the bill is provided in **Appendix A**. The fiscal 2009 to 2014 State effects for each provision, including the general fund impact and the effect on other fund types, are included with the discussions. Charts identifying the fiscal impact of separate provisions are provided in **Appendix B**.

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	$606.2	$15.6
Elimination of Coal Tax Credits	0.0	9.0
Decrease Lottery Agent Commission	0.0	8.6
Reduction in Dedicated Revenue	0.0	6.5
Revenue Subtotal	**$606.2**	**$39.7**
Expenditures*		
General Fund Mandate Relief	$0.0	($272.2)
Fund Swaps	(0.1)	(200.8)
Cost Control	0.0	(10.4)
Expenditure Subtotal	**($0.1)**	**($483.4)**
General Fund Improvement	**$606.3**	**$523.1**

*Fiscal 2010 expenditure reductions of $69.3 million are assumed in the proposed budget. All other general fund reductions are contingent on authorizing legislation.

Local Fiscal Effect: The fiscal 2010 impact of the bill on the 23 counties and Baltimore City in the aggregate is shown in **Exhibit 2**. Revenues for the jurisdictions, including State aid, State payments, and local income tax revenues, decrease by $209.1 million. Local expenditures for most of the operating costs of SDAT increase by $36.7 million.

When applicable, the discussions of individual provisions in Appendix A include sections describing the local effects of the provisions. Fiscal 2010 local impacts are shown by county in **Appendix C**.

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

Local Revenue Impacts		
Reductions in Local Aid		
K-12 Education Aid	($108.7)	
School Construction Funding	(2.4)	
Library Aid	(3.6)	
Community College Aid	(49.9)	
Local Aid Subtotal	***($164.6)***	
Reductions in Payments to Counties		
Local Jail Reimbursements	($6.0)	
Park Fees (payments in lieu of taxes)	(1.9)	
Local Payments Subtotal	***($7.9)***	
Income Tax Revenues	***($36.7)***	
Revenue Subtotal		**($209.1)**
Local Expenditures for SDAT		**$36.7**
Total Net Impact on Local Jurisdictions		**($245.8)**

Additional Information

Prior Introductions: None.

Cross File: HB 101 (The Speaker)(By Request - Administration) - Appropriations.

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

Fiscal Note History: First Reader - March 3, 2009
mcp/rhh

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Appendix A
Contents

Program: Local 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 2010 through 2019, 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	*($ in millions)*					
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
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 2010 through 2019 by a reduction in local income tax distributions to local jurisdictions.

Local Effect: Local income tax revenues will decrease by $36.7 annually from fiscal 2010 through 2019. 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. Fiscal 2010 income tax reductions are estimated for each jurisdiction in **Appendix C3**.

Program Description: The State manages the local income tax through the local income tax reserve account. All distributions to Baltimore City and the 23 counties are made from the account.

The $366.8 million 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 local income tax 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 to cover the local income tax refunds will not be used to pay those refunds. Therefore, the transfer of the $366.8 million out of the local income tax reserve account will not impact the payment of refunds.

Location of Provision(s) in the Bill: Section 1 (pp. 23-25)

Analysis prepared by: Robert J. Rehrmann

Program: Maryland State Police – Helicopter Replacement Fund

Provision in the Bill: Authorizes the transfer of $51,500,000 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.	$51.5	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $51.5 million in fiscal 2009 due to the transfer. As of January 31, 2009, the balance in SPHRF totaled $52.7 million. Following the transfer, the balance will be $1.2 million.

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 proposed 2009 capital budget includes $40.0 million in general obligation (GO) bonds for the purchase of two Med-Evac helicopters in fiscal 2010 and projects the same level of GO bond funding for SPHRF in fiscal 2011 and 2012.

Location of Provision(s) in the Bill: Section 4 (p. 31)

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

Program: Maryland State Police – Vehicle Theft Prevention Fund

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 fiscal 2008 and 2009, and the Governor's allowance for fiscal 2010 likewise totals $2.5 million.

Location of Provision(s) in the Bill: Section 4 (p. 32)

Analysis prepared by: Guy Cherry and Chantelle M. Green

Program: University System of Maryland

Provision in the Bill: Authorizes the transfer of $20,000,000 from the University System of Maryland (USM) fund balance to the general fund by June 30, 2009.

Agency: University System of Maryland

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
	($ in millions)					
GF Rev	$20.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $20.0 million in fiscal 2009. An estimated $104.0 million remains in the USM fund balance 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. 31)

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

Program: Injured Workers' Insurance Fund Balance Transfer

Provision in the Bill: Authorizes transfer of $18,000,000 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	$18.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $18.0 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 $20 million.

When prompted, the State must reimburse the federal government for workers' compensation payments that were contributed to the fund for federal workers in the State. The anticipated federal refund is $791,500.

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 $18.0 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 years 2003 and 2004 the State transferred a total of $114.2 million from the IWIF fund 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. 31)

Analysis prepared by: Michael T. Vorgetts and Dylan Baker

Program: Maryland Trauma Physician Services Fund

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:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
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 incurred by trauma physicians; costs incurred by a trauma center 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. 31)

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

Program: Fund Balance Transfers from State Medical Boards

Provision in the Bill: Authorizes the following fund balance transfers to the State general fund:

- $3,000,000 from the Board of Physicians Fund by June 30, 2009;
- $500,000 from the Board of Nursing Fund by June 30, 2009;
- $100,000 from the State Board of Occupational Therapy Practice Fund by June 30, 2010; and
- $100,000 from the State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists Fund by June 30, 2010.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfers

Fiscal Impact:	*(in dollars)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$3.5	$0.2	$0	$0	$0	$0

State Effect: General fund revenues increase by $3.5 million in fiscal 2009 and by $200,000 in fiscal 2010 due to the transfers. Future years are not affected.

Program Description: Each of the boards is 100% special funded through licensing fee revenue, 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.

Recent History:

- *Board of Physicians:* The transfer will leave $3.3 million in the board's fiscal 2009 ending fund balance and will not affect the board's ability to continue regular operations.
- *Board of Nursing:* The transfer will leave $1.0 million in the board's fiscal 2009 ending fund balance and will not affect the board's ability to continue regular operations.
- *State Board of Occupational Therapy Practice:* The transfer will leave an estimated $306,131 in the board's fiscal 2010 fund balance and may require the board to curtail spending or raise fees in 2010 and 2011.

- *State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists:* The transfer will leave an estimated $257,695 in the board's fiscal 2010 fund balance and may require the board to curtail spending or raise fees in 2010 and 2011.

Location of Provision(s) in the Bill: Sections 4 and 5 (pp. 32-33)

Analysis prepared by: Sarah Volker

Program: Senior Prescription Drug Program

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 Provision(s) in the Bill: Section 4 (p. 32)

Analysis prepared by: Jennifer B. Chasse and Alison Mitchell

Program: Maryland Health Care Commission

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. 31)

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

Program: State Insurance Trust Fund

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 is 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. The $5.0 million was transferred in late June 2002.

Location of Provision(s) in the Bill: Section 4 (p. 31)

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

Program: Uninsured Account of the Maryland Automobile Insurance Fund

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

Agency: Maryland Automobile Insurance Fund

Type of Action: Fund balance transfer

Fiscal			*($ in millions)*			
Impact:	**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. The Maryland Automobile Insurance Fund (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. The $20.0 million was transferred in late June 2002.

Location of Provision(s) in the Bill: Section 4 (p. 31)

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

Program: Central Collection Fund

Provision in the Bill: Authorizes the transfer of $5,000,000 per year from the Central Collection Fund (CCF) to the general fund in fiscal 2009 and 2010.

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	$5.0	$5.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.0 million in fiscal 2009 and 2010 due to the transfers. Future years are not affected. The transfers would leave a CCF fund balance of approximately $13.7 million at the end of fiscal 2010.

Program Description: The Central Collection Unit (CCU) collects delinquent debts, claims, and accounts due to State government. The collections are placed in the 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 until they are 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 4 and 5 (pp. 32-33)

Analysis prepared by: Patrick Frank

Program: Economic Development Opportunities Program Account (Sunny Day Fund)

Provision in the Bill: Authorizes the Governor to transfer $5,000,000 from the 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. 32)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

Program: Maryland Economic Development Assistance Authority Fund

Provision in the Bill: Authorizes the transfer of $5,000,000 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 transfer

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

State Effect: General fund revenues increase by $5.0 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 $22.8 million, enough to cover the estimated $22.2 million in 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 $3.0 million after the second $5.0 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 governments 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. 32-33)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

Program: Oil Disaster Containment, Clean-Up and Contingency Fund

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 (pp. 31-32)

Analysis prepared by: Evan Isaacson and Andrew Gray

Program: State Used Tire Cleanup and Recycling Fund

Provision in the Bill: Authorizes the transfer of $1,000,000 from the State Used Tire Cleanup and Recycling 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	$1.0	$0	$0	$0	$0	$0

State Effect: General fund expenditures increase by $1.0 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.

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: Section 4 (p. 32)

Analysis prepared by: Evan Isaacson and Andrew Gray

Program: Small Business Pollution Compliance Loan Fund

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. 32)

Analysis prepared by: Evan Isaacson and Andrew Gray

Program: School Bus Safety Enforcement Fund

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:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
			(in dollars)			
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. 32)

Analysis prepared by: Guy Cherry and Richard Harris

Program: Insurance Regulation Fund

Provision in the Bill: Authorizes the transfer of $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 dollars)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$605,035	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $605,035 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 $2.45 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. The $2.0 million was transferred in late June 2002.

Location of Provision(s) in the Bill: Section 4 (p. 32)

Analysis prepared by: Jason F. Weintraub and Alison Mitchell

Program: State Reserve Fund – Catastrophic Event Account

Provision in the Bill: Authorizes the transfer of $5,398,109 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	$5.4	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.4 million in fiscal 2010 due to the transfer. Future years are not affected. The Catastrophic Event Account will be left with a projected $3.0 million fund balance at the end of fiscal 2010.

Program Description: The Catastrophic Event Account 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. 33)

Analysis prepared by: Patrick Frank

Program: **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; increasing the fiscal 2010 payment from $63,000,000 to $146,900,000; and increasing the fiscal 2011 payment from $63,913,000 to $65,013,000. 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 Transportation Authority

Type of Action: Mandate relief/fund swap/fund balance transfer

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)	1.1	0	0	0
GO Bonds	0	146.9	0	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 DPA. General fund expenditures for ICC decrease by $63.0 million in fiscal 2010, contingent on legislation authorizing the change in the ICC funding schedule.

General fund expenditures may increase by $1.1 million in fiscal 2011 to realize the full $148.0 million commitment specified in the schedule. GO bond expenditures increase by $146.9 million in fiscal 2010, and net State expenditures increase by $83.9 million in fiscal 2010 and $1.1 million in fiscal 2011, effectively replacing the $85.0 million deleted from fiscal 2009 through Board of Public Works actions ($20.0 million) and this bill ($65.0 million).

Program Description: 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.

The Governor's proposed fiscal 2010 capital budget includes $146.9 million in GO bonds for the full fiscal 2010 payment identified in the bill. The capital budget plan does not provide GO bonds for ICC in fiscal 2011.

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 TTF in years of general fund surpluses. In fiscal 2006, repayment of $50.0 million was made to 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 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 this legislation (Chapter 10 of 2008) put the following repayment 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.

Location of Provision(s) in the Bill: Sections 1 and 4 (pp. 28-29 and p. 31)

Analysis prepared by: Jaclyn Dixon and Amanda Mock

Program: **Maryland Community Health Resources Commission Fund and the Primary Adult Care Program**

Provision in the Bill: Authorizes the transfer of $14,000,000 from the Maryland Community Health Resources Commission Fund to the general fund by June 30, 2009. In addition, the bill alters the distribution of subsidies resulting from CareFirst's premium tax exemption to distribute less to the Maryland Community Health Resources Commission (MCHRC) and more to the Primary Adult Care Program (PAC).

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer/mandate relief

Fiscal Impact:	*($ in millions)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Rev	$14.0	$0	$0	$0	$0	$0
GF Exp	0	(9.1)	(10.6)	(12.3)	(14.0)	(15.9)

State Effect: General fund revenues increase by $14.0 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 $1.1 million.

Beginning in fiscal 2010, special fund subsidies resulting from the CareFirst premium tax exemption that would be provided to 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 proposed 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 reflect an ongoing reduction in general fund spending on PAC and assume 6% annual growth in premium tax exemption revenues.

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), but will receive only $3.0 million annually under the provisions in this bill.

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 1 and 4 (pp. 16-18 and 31)

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

Program: 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	0	0	0
SF Exp	0	12.0	0	0	0	0

State Effect: General fund revenues increase by $8.0 million in fiscal 2009 due to the transfer from 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 DPA, would otherwise have fulfilled the obligation. A $12.0 million HCCF special fund expenditure for the authority is included in the proposed fiscal 2010 State budget. Future years are not affected.

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 Provision(s) in the Bill: Sections 1 and 4 (pp. 15-16 and p. 31)

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

Program: Cigarette Restitution Fund – Reductions in Mandated Funding

Provision in the Bill: Reduces mandated spending from the Cigarette Restitution Fund (CRF). Required annual funding for tobacco use prevention and cessation is permanently reduced from $21,000,000 to $7,000,000. For fiscal 2010 and 2011 only, required annual spending is reduced for statewide academic health center cancer research grants (from $10,400,000 to $6,700,000); for statewide academic health center tobacco-related diseases research grants (from $2,000,000 to $1,250,000); and for 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)	($14.0)	($14.0)	($14.0)

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. Mandated CRF expenditures decrease by $19.6 million in fiscal 2010, freeing up special funds to be used for general fund costs. The general fund reduction is contingent on legislation relieving 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.

Future year general fund reduction estimates assume 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 annually beginning in fiscal 2010.

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, the Governor's fiscal 2010 budget proposes $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 proposed fiscal 2010 budget provides $10.0 million for the centers, a reduction of just $5.4 million.

Location of Provision(s) in the Bill: Sections 1 and 3 (pp. 14-15 and pp. 30-31)

Analysis prepared by: Sarah Volker and Alison Mitchell

Program: **Hospital Uncompensated Care Assessment**

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 estimated to generate $60.3 million in fiscal 2010.

Location of Provision(s) in the Bill: Sections 1 and 16 (pp. 16 and 34)

Analysis prepared by: Jennifer B. Chasse and Alison Mitchell

Program: Maryland Health Insurance Plan – Medicaid Waiver

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 and Maryland Health Insurance Plan

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 Governor's proposed fiscal 2010 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 (p. 16 and pp. 18-19)

Analysis prepared by: Jennifer B. Chasse and Alison Mitchell

Program: Drinking Driver Monitor Program

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 continue 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

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 proposed 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. 5)

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

Program: Taxes – Accelerate Maryland-mined Coal Credits Termination Dates

Provision in the Bill: Accelerates the termination dates for the Maryland-mined coal tax credits from tax year 2021 to tax year 2009.

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	$9.0	$9.0	$6.0	$6.0	$6.0

State Effect: General fund revenues increase $9.0 million in fiscal 2010 due to the acceleration of termination dates for the credits. Future year revenue increases reflect the estimated amount of credits that can be claimed under current law. Accelerating the termination date will increase State revenues by a total of $60.0 million through fiscal 2021.

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 in each tax year and terminated the credit in tax year 2021.

Location of Provision(s) in the Bill: Section 17 and 23 (pp. 35-36)

Analysis prepared by: Robert J. Rehrmann

Program: Lottery Agent Commissions

Provision in the Bill: Decreases lottery agent commissions from 5.5% to 5.0% of gross sales effective July 1, 2009.

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	$8.6	$8.5

State Effect: General fund revenues increase by $8.6 million in fiscal 2010 due to the reduction in lottery agent commissions. Future year estimates reflect 2.5% annual increases in State lottery sales, offset increasingly by implementation of video lottery terminals, beginning in fiscal 2012.

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. 29)

Analysis prepared by: Scott P. Gates

Program: Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provision in the Bill: Redirects $2,554,000 of the motor fuel tax and $3,933,556 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	$6.5	$0	$0	$0	$0
SF Rev	0	(6.5)	0	0	0	0
SF Exp	0	(6.5)	0	0	0	0

State Effect: General fund revenues increase by $6.5 million and special fund revenues and expenditures decrease by $6.5 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 proposed fiscal 2010 State budget includes a corresponding $6.5 million reduction in expenditures from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund contingent on legislation allocating the revenues to the general 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 Provision(s) in the Bill: Section 1 (pp. 26-27)

Analysis prepared by: Amanda Mock and Andrew Gray

Program: Community College Aid – Senator John A. Cade Formula

Provision in the Bill: Reduces the fiscal 2010 amount for the Senator John A. Cade formula to $194,454,853 and resets the phase-in of scheduled enhancements. The formula would be fully phased in by fiscal 2015 instead of 2013.

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	($49.9)	($60.0)	($47.6)	($39.8)	($20.8)

State Effect: Mandated general fund expenditures for community colleges decrease by $49.9 million in fiscal 2010. As required, full funding for the formula, $244.4 million, is included in the proposed fiscal 2010 State budget. The $49.9 million reduction is contingent on the enactment of legislation to adjust the formula for fiscal 2010. Future year savings estimates use projected community college enrollments and estimated funding levels for public four-year universities.

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 $3 million to $5 million annually.

Local Effect: Direct State aid for community colleges decreases by $49.9 million in fiscal 2010 and by an estimated $60.0 million in fiscal 2011. The Cade formula funding level will be restored to its full expected level by fiscal 2015. The fiscal 2010 reductions are shown by county in **Appendix C2**.

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 prior year 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 based on the prior year's funding and enrollment. Chapter 333 of 2006 began a phased enhancement of the Cade formula that increases the percentage used in the formula from 25% in fiscal 2007 to 30% by fiscal 2013.

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 currently includes $202.4 million for the formula, $16.3 million below the statutory funding level, but the proposed fiscal 2010 budget assumes a further Board of Public Works reduction to $194.5 million before the end of the fiscal year. The funding level proposed in this legislation would be the third and fourth consecutive years at $194.5 million in fiscal 2010 and 2011.

Beginning in fiscal 2012, the legislation increases the percentage used to determine total formula funding from 20.9% to 30.0% by fiscal 2015.

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

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

Program: Independent Colleges and Universities – Joseph A. Sellinger Formula

Provision in the Bill: Reduces the fiscal 2010 amount for the Joseph A. Sellinger formula to $50,445,958 and sets a phase-in schedule that fully funds the current law formula level by fiscal 2015.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($15.6)	($17.9)	($14.3)	($10.4)	($6.2)

State Effect: Mandated general fund expenditures for the Sellinger formula decrease by $15.6 million in fiscal 2010. As required, full funding for the formula, $66.1 million, is included in the proposed fiscal 2010 State budget with the contingent reduction. 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 and BCCC formulas, the Sellinger formula uses a percentage of the State's prior year per student funding for selected 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 is 16%.

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. The bill's proposal level-funds the formula in fiscal 2010 and 2011. Beginning in fiscal 2012 the legislature would increase the percentage used to determine Sellinger funding from 12.7% to 16.0% by fiscal 2015.

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

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

Program: Baltimore City Community College Formula

Provision in the Bill: Reduces the fiscal 2010 amount for the Baltimore City Community College formula to $42,005,078 and resets the phase-in of scheduled formula enhancements. The formula would be fully phased in by fiscal 2015 instead of 2013.

Agency: Baltimore City Community College

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)	($4.0)	($3.4)	($2.9)	($1.5)

State Effect: Mandated general fund expenditures for Baltimore City Community College (BCCC) decrease by $2.4 million in fiscal 2010. As required, full funding for the formula, $44.4 million, is included in the proposed fiscal 2010 State budget. The reduction is contingent on the enactment of legislation to adjust the formula for fiscal 2010. 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 formula, the BCCC funding formula uses a percentage of the State's prior year per student funding for selected public four-year institutions of higher education to determine a per student amount for the college. Chapter 333 of 2006 began a phased enhancement of the BCCC formula that increases the percentage used in the formula from 66% in fiscal 2007 to 71% by fiscal 2013.

Recent History: The fiscal 2008 formula amount for BCCC was reduced by $500,000 through cost containment actions 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. The bill proposes level funding the formula in fiscal 2011 at the fiscal 2010 level. Beginning in fiscal 2012 the legislature would increase the percentage used to determine BCCC's funding from 63% to 71% by fiscal 2015.

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

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

Program: Private Donation Incentive Program

Provision in the Bill: Defers State payments to the Private Donation Incentive Program (PDIP) from fiscal 2010 to fiscal 2011.

Agency: Maryland Higher Education Commission

Type of Action: Deferred payment

Fiscal Impact:	*(in dollars)* **FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($265,640)	$265,640	$0	$0	$0

State Effect: General fund expenditures for PDIP decrease by $265,640 in fiscal 2010 due to the deferral of the required State match for the program. The proposed fiscal 2010 budget includes the $265,640 PDIP payment, but a reduction of this amount is contingent on legislation authorizing the deferral. If the contingent reduction is approved, PDIP payments will instead be made a year later, increasing general fund expenditures by $265,640 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 (BSU) submitted a late report justifying $119,730 in PDIP matching funds for collections raised in fiscal 2007, which displaced payments of the remaining balances to other institutions in fiscal 2009. The fiscal 2010 allowance of $265,640 provides funding for $119,730 in balances due to other colleges and universities in addition to funding due to BSU based on new donations.

Location of Provision(s) in the Bill: Section 10 (p. 33)

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

Program: Education Aid – Nonpublic Special Education Placements

Provision in the Bill: Reduces the State share of costs for nonpublic special education placements from 80% to 50% of the costs above the base local share. The local share of these costs increases from 20% to 50%.

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			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($52.3)	($54.5)	($57.1)	($60.2)	($63.6)

State Effect: Mandated general fund expenditures for the State share of costs for nonpublic placements decrease by an estimated $52.3 million in fiscal 2010. Funding for the 80% State share of nonpublic placements ($128.9 million) is included in the proposed fiscal 2010 State budget, and a $48.3 million reduction to this amount is contingent on the enactment of legislation to adjust the State share to 50% 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. The proposed fiscal 2010 State budget does not contain sufficient funds for a full rate increase, which is estimated at 5%. 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 $48.3 million in fiscal 2010 and by an estimated $58.8 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, the student is 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: Section 1 (pp. 8-9) and Section 9 (p. 33)

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

Program: Education Aid – Supplemental Grants

Provision in the Bill: Alters the calculation of the supplemental grants to provide a "hold harmless" guarantee rather than a 1% increase guarantee for fiscal 2010. In addition, the computation of the grants is adjusted to include 100% of State funding for teachers' retirement payments and 100% of the geographic cost of education index formula in the calculation.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
			($ in millions)			
GF Exp	$0	($43.3)	($43.3)	($47.0)	($47.2)	($47.5)

State Effect: Mandated general fund expenditures for public education decrease by $43.3 million in fiscal 2010. As required, full funding for the supplemental grants is included in the proposed fiscal 2010 State budget, and the $43.3 million reduction is contingent on the enactment of legislation to adjust the supplemental grant calculation. The reduction would leave $33.3 million in the budget to fund the modified supplemental grant calculation. For fiscal 2011 and subsequent years, supplemental grants continue at fiscal 2010 levels, so the $43.3 million expenditure reduction continues in future years.

Reductions in State aid will also slow the growth of teachers' retirement costs, which are paid by the State on behalf of local school systems. State payments for teachers' retirement are calculated using actual school system salary bases from the second prior fiscal year. Lower State aid levels beginning in fiscal 2010, therefore, will affect teachers' retirement payments beginning in fiscal 2012. The reductions in general fund expenditures are estimated at $3.6 million in fiscal 2012, $3.9 million in fiscal 2013, and $4.2 million in fiscal 2014.

Local Effect: Direct State aid for local school systems decreases by $43.3 million annually beginning in fiscal 2010. The fiscal 2010 reductions are shown by school system in **Appendix C1**.

Recent History: Supplemental grants were established by Chapter 2 of the 2007 special session to ensure at least 1% annual growth in State education aid for each school system in fiscal 2009 and 2010 during a two-year freeze on the per pupil amount used in the formulas. The fiscal 2009 State budget provides $36.6 million for the grants.

Location of Provision(s) in the Bill: Section 1 (pp. 6-7)

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

Program: Education Aid – 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 $6.1 million.

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)	($6.2)	($6.2)	($6.3)	($6.5)

State Effect: Mandated general fund expenditures for the Aging Schools Program decrease by $11.7 million in fiscal 2010 and by an estimated $6.2 million in fiscal 2011. As required, the full statutory formula amount is included in the proposed fiscal 2010 budget, and the reduction is contingent on the enactment of legislation to eliminate general funds for the program in fiscal 2010. The Governor's fiscal 2010 capital budget proposes that up to $6.1 million in bond premiums be used to fund the Aging Schools Program in fiscal 2010.

It is assumed that funding levels for fiscal 2012 and beyond grow from the lower fiscal 2011 base established in the bill.

Local Effect: State aid for local school systems decreases by $11.7 million in fiscal 2010 and by $6.2 million in fiscal 2011. If $6.1 million in bond premiums is used for the Aging Schools Program in fiscal 2010, the decrease in State aid is only $5.6 million. The fiscal 2010 estimates are 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 11 (p. 33)

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

Program: Education Aid – 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 $5.3 million annually beginning in fiscal 2010. As a mandated entitlement for qualifying school personnel, full funding for the stipends is included in the proposed fiscal 2010 State budget; the $5.3 million reduction is contingent on the enactment of legislation to adjust the stipends. The reduction would leave $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 includes $5.7 million for the stipends and bonuses, and the proposed fiscal 2010 budget includes a fiscal 2009 deficiency appropriation of $3.6 million for the program. If the deficiency appropriation is approved, funding for Teacher Quality Incentives will total $9.3 million in fiscal 2009.

Location of Provision(s) in the Bill: Section 1 (pp. 7-8)

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

Program: Camden Yards Fund – Prohibition of Fund Transfer

Provision in the Bill: Eliminates the required transfer of $2,400,000 from the Camden Yards Fund to the Public School Construction Fund in fiscal year 2010.

Agency: Maryland Stadium Authority and Interagency Committee on Public School Construction

Type of Action: Special fund mandate relief

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

State Effect: Language in the fiscal 2010 budget bill specifies that the $2.4 million special fund appropriation for public school construction be reduced contingent on legislation relieving the Maryland Stadium Authority (MSA) of the mandated payment. MSA, which administers the Camden Yards Fund, is supported with lottery funds. Lottery funds that are not needed to support MSA debt service costs accrue to the general fund. Elimination of the payment preserves MSA's fund balance and mitigates the need for additional lottery revenues to support stadium authority operations.

Local Effect: School construction funding for local school systems decreases by $2.4 million in fiscal 2010. The reduction is included in **Appendix C2**.

Recent History: Chapter 327 of 1996 requires MSA to transfer $24.0 million to the Public School Construction Fund by making annual payments of $2.4 million between fiscal 2001 and 2010. Transferred funds appear in the Public School Construction Program appropriation as special funds and are more flexible than the general obligation (GO) bond funds normally used to finance projects. This action eliminates the final year of required funding. MSA has previously been relieved of its statutory obligation in fiscal 2002 and 2009. The Governor has proposed $260.0 million in GO bond funding for public school construction for fiscal 2010.

Location of Provision(s) in the Bill: Section 12 (p. 34)

Analysis prepared by: Erin M. Dorrien, Evan Isaacson, and Jody Sprinkle

Program: Maryland School for the Deaf – Employee Compensation and Benefits

Provision in the Bill: Reduces fiscal 2010 funding for the Maryland School for the Deaf (MSD) by $507,189 in Other Post Employment Benefits and, contingent on the enactment of legislation removing funding for merit increases and increments from all agencies, $797,614 in employee merit increases and increments.

Agency: Maryland School for the Deaf

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($1.3)	($1.3)	($1.4)	($1.4)	($1.4)

State Effect: Mandated general fund expenditures decrease by $1.3 million in fiscal 2010 due to the specified reductions. The proposed fiscal 2010 State budget includes full funding for the MSD formula, as well as language reducing the general fund allocation for MSD contingent on authorizing legislation. Future year expenditure reductions reflect ongoing savings from the lower fiscal 2010 base formula amount.

Program Description: MSD provides a comprehensive prekindergarten to grade 12 education to deaf students. The school has two campuses, one in Frederick serving students in all grades and one in Columbia that serves students up to grade 8.

Recent History: General fund formula support for MSD is based in part on the per pupil foundation amount used to determine aid to local school boards. This amount has been frozen for two years; therefore, MSD's formula funding has essentially been level for three years. The proposed fiscal 2010 State budget does not include an allocation to the Postretirement Health Benefits Trust Fund for any agency. MSD's allocation would have been about $565,000. Funding for fiscal 2010 merit increases and increments is also not in agency budgets. Those costs for MSD would have been about $798,000.

Location of Provision(s) in the Bill: Section 7 (p. 33)

Analysis prepared by: Michael C. Rubenstein

Program: Maryland School for the Deaf

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Universal Service Trust Fund to the Maryland School for the Deaf (MSD).

Agency: Maryland School for the Deaf and Department of Information Technology

Type of Action: Fund balance transfer/fund swap

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

State Effect: General fund expenditures decrease by $1.0 million due to the use of special funds from the Universal Service Trust Fund to support MSD. The proposed fiscal 2010 State budget reduces the MSD general fund allocation by $2.3 million contingent on legislation authorizing reductions in mandated funding levels. This transfer replaces a portion of that reduction. Future years are not affected.

Recent History: The Universal Services 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 a standard telephone. The Universal Services Trust Fund is funded from a $0.20 landline surcharge.

As of December 31, 2008, the fund balance in the Universal Services 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 in the Bill: Section 6 (p. 33).

Analysis prepared by: Simon G. Powell

Program: Libraries – Local Library Aid Formula

Provision in the Bill: Decreases the per resident amount used in the local library aid formula to $13.50 for fiscal 2010 and 2011. The phase-in of formula enhancements restarts in fiscal 2012 at $15.00 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			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($3.6)	($6.1)	($2.4)	$0	$0

State Effect: Mandated general fund expenditures for the library aid formula decrease by $3.6 million in fiscal 2010. As required, full funding for the formula is included in the proposed fiscal 2010 State budget with the contingent reduction. The reduction would leave $32.6 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 $3.6 million in fiscal 2010, $6.1 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 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 more 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. 14)

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

Program: Libraries – 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 Impact:	($ in millions) **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. As required, full funding for the State and regional library resource centers is included in the proposed fiscal 2010 State budget, and the reduction is 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. 13-14)

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

Program: Division of Correction – Reimbursement Rates to Local Jails

Provision in the Bill: Reduces per diem reimbursement rates to local detention centers from 50% to 34% and from 85% to 50% (depending on the jurisdiction) for fiscal 2010 and 2011 only.

Agency: Department of Public Safety and Correctional Services

Type of Action: Cost shift/mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($6.0)	($6.2)	$0	$0	$0

State Effect: Mandated general fund expenditures decrease by $6.0 million in fiscal 2010 and by an estimated $6.2 million in fiscal 2011 due to the reductions in State reimbursement rates for local detention centers. The proposed fiscal 2010 State budget includes a general fund expenditure reduction of $6.0 million for the Division of Correction (DOC) that is contingent on legislation decreasing the State's reimbursement rates for local jails. The estimated fiscal 2011 reduction assumes a 4% increase in jail costs. There is no impact after fiscal 2011.

Local Effect: State reimbursements for inmate housing at local detention centers decrease by an estimated $6.0 million in fiscal 2010 and by an estimated $6.2 million in fiscal 2011. The projected fiscal 2010 reduction in reimbursements for each local jurisdiction is shown in **Appendix C3**.

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. Per diem 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. The changes proposed for fiscal 2010 and 2011 do not address recognized deficiencies in reimbursement payments from these years.

Location of Provision(s) in the Bill: Section 3 (p. 29)

Analysis prepared by: Guy Cherry and Rebecca J. Moore

Program: Maryland State Arts Council

Provision in the Bill: Sets the required appropriation for the Maryland State Arts Council at $10,545,740 for fiscal 2010 and 2011, $13,545,740 for fiscal 2012, and $16,545,740 for fiscal 2013. Beginning in fiscal 2014, the annual grant amount will increase by the projected increase in general fund revenues.

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	($6.0)	($6.8)	($4.7)	($2.6)	($2.7)

State Effect: General fund expenditures decrease by $6.0 million in fiscal 2010 due to the change in the mandated funding level. The proposed fiscal 2010 State budget includes the full amount for the formula, and the reduction is contingent on authorizing legislation. Future year expenditure reductions reflect the difference between the annual appropriation amounts specified in the bill and the estimated current law appropriation levels.

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.

Location of Provision(s) in the Bill: Section 1 (pp. 22-23)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

Program: Maryland Tourism Development Board Fund

Provision in the Bill: Reduces the required general fund appropriation to the Maryland Tourism Development Board Fund from $6,000,000 annually to $4,900,000 for fiscal 2010 and 2011 and to $5,500,000 for 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	($1.1)	($1.1)	($0.5)	$0	$0

State Effect: General fund expenditures decrease by $1.1 million in fiscal 2010 and 2011 and by $500,000 in fiscal 2012. As required, the full $6.0 million appropriation is included in the fiscal 2010 budget, and the general fund expenditure reduction is contingent on legislative approval.

Local Effect: Local government revenues may decrease to the extent that fewer funds are available for grants to destination marketing organizations, most of which are local government entities.

Program Description: The Maryland Tourism Development Board within the Office of Tourism Development promotes Maryland tourism through various media by administering a program of local matching grants and providing other assistance for local tourism development efforts. The Tourism Promotion Act of 2008 (Chapter 181) established a tourism tax increment that the Governor must consider including in the budget each year for the Maryland Tourism Development Board Fund. The Act also set a minimum of $2.5 million that must be provided from the fund for grants to destination marketing organizations each year beginning in fiscal 2011.

Recent History: In fiscal 2008, the Maryland Tourism Development Board had general and special fund expenditures of about $7.0 million. After cost containment, the fiscal 2009 working appropriation for the board includes about $4.9 million in general fund expenditures and $600,000 in special fund expenditures. In addition to general funds, the proposed fiscal 2010 State budget includes $600,000 in special funds.

Location of Provision(s) in the Bill: Section 1 (pp. 5-6)

Analysis prepared by: Jody Sprinkle and Evan Isaacson

Program: Natural Resources – Revenue Sharing Payments to Counties

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)	1,881,877	401,333	2,283,210
2011 (estimate)	2,013,608	401,333	2,414,941

Location of Provision(s) in the Bill: Section 15 (p. 34)

Analysis prepared by: Amanda Mock and Andrew Gray

Program: Natural Resources – 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. As required, the full mandated amount is included in the proposed fiscal 2010 State budget. The general fund reduction is contingent on the enactment of legislation to relieve the State of the mandated appropriation.

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 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 (pp. 20-21)

Analysis prepared by: Amanda Mock and Andrew Gray

Program: Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO)

Provision in the Bill: Reduces mandated rural business development and assistance funding for the corporation 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: Reduces general fund expenditures by $1.25 million in fiscal 2010 and 2011 only. A reduction of this amount is assumed in the proposed fiscal 2010 State budget, contingent on the enactment of legislation reducing the mandated amount.

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 $2.75 million by the General Assembly.

Location of Provision(s) in the Bill: Section 1 (p. 6)

Analysis prepared by: Scott D. Kennedy and Andrew Gray

Program: Agriculture - Soil Conservation Districts

Provision in the Bill: Reduces mandated funding levels for Soil Conservation Districts (SCDs) in fiscal 2010, 2011, and 2012 and repeals a requirement that the Governor include an amount sufficient to employ not less than 110 SCD field personnel in the annual budget bill.

Agency: Maryland Department of Agriculture

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
(in dollars)						
GF Exp		($400,000)	($800,000)	($400,000)		

State Effect: Mandated general fund expenditures decrease by $400,000 in fiscal 2010 and 2012 and by $800,000 in fiscal 2011. These actions reduce mandated funding for SCDs to $9.2 million in fiscal 2010 and 2011, the same amount as fiscal 2009. The fiscal 2010 expenditure decrease is contingent on legislation authorizing the reduction and will preclude the hiring of five new SCD field positions and decrease grant funding for SCDs.

Program Description: SCD offices are located throughout the State to help farmers manage and protect natural resources on their land. SCD staff help farmers build and install a variety of best management practices, including animal waste storage structures and livestock watering systems to manage farm resources and safeguard water quality.

Recent History: The Agricultural Stewardship Act of 2006 (Chapter 289) mandates increased funding for SCDs; specifically, the Act requires funding levels of $8.8 million for fiscal 2008, $9.2 million for fiscal 2009, $9.6 million for fiscal 2010, and $10.0 million for fiscal 2011 and each year thereafter.

Location of Provision(s) in the Bill: Section 1 (pp. 4-5)

Analysis prepared by: Amanda Mock and Andrew Gray

Program: Natural Resources – Program Open Space Administrative Expenses

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 (DGS), and Maryland Department of Planning (MDP).

Agency: Department of Natural Resources

Type of Action: Special fund reallocation/mandate relief

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.

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. Approximately 75% of the remaining transfer tax revenue has historically been allocated to POS, which has two components: a State share and a local share. In accordance with Chapter 2 of the 2007 special session, beginning in fiscal 2009, after the initial distribution of POS funds, the greater of $21.0 million or 20% of remaining POS funds must be used to operate State forests and parks. After the required POS distributions are made, remaining funds are used to acquire land for open space.

Recent History: The steep decline in transfer tax revenues has resulted in insufficient funding for POS administration.

Location of Provision(s) in the Bill: Section 1 (pp 19-20)

Analysis prepared by: Amanda Mock and Andrew Gray

Program: 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.

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.

Program Description: Maryland's low-income weatherization programs help eligible households reduce their energy bills by installing energy conservation materials in homes. Maryland is expected to receive $63.2 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 proposed 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. 21-22)

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

Program: 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.

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	($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 proposed 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, Legislative, and Judicial branches of government.

Location of Provision(s) in the Bill: Section 14 (p. 34)

Analysis prepared by: Michael T. Vorgetts and Dylan Baker

Program: 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.

Agency: State Retirement Agency and Department of Budget and Management

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Exp	$0	($14.8)	($15.8)	($16.9)	($18.1)	($19.3)
SF Exp	0	(3.6)	(3.8)	(4.1)	(4.4)	(4.7)
FF Exp	0	(2.5)	(2.7)	(2.9)	(3.1)	(3.3)
Reim Exp	0	(0.2)	(3.7)	(4.0)	(4.3)	(4.6)
HE Exp	0	(3.5)	(0.3)	(0.3)	(0.3)	(0.3)
Total	**$0**	**($24.6)**	**($26.3)**	**($28.1)**	**($30.1)**	**($32.2)**

State Effect: General fund expenditures decrease by $14.8 million and total State 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.

Future year 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 in the Bill: Section 2 (p. 23)

Analysis prepared by: Michael C. Rubenstein

Program: Optional Defined Contribution System

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

Agency: Maryland Supplemental Retirement Plans

Type of Action: Mandate relief

Fiscal Impact:	**FY 2009**	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
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 in the Bill: Section 13 (p. 34)

Analysis prepared by: Michael C. Rubenstein

Program: Impact of Temporary Salary Reduction on Retirement Calculations

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.

Agency: State Retirement Agency and Department of Budget and Management

Type of Action: Clarification/Explanation of Current Practice

Fiscal Impact: Potential Minimal Costs

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 any 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: Section 8 (p. 35)

Analysis prepared by: Michael C. Rubenstein

Program: State Department of Assessments and Taxation

Provision in the Bill: Requires county governments to reimburse the State Department of Assessments and Taxation (SDAT) for (1) 90% of the cost of real property valuation; (2) 90% of the cost of business property valuation; and (3) 75% of costs incurred by SDAT for information technology.

Agency: State Department of Assessments and Taxation

Type of Action: Cost shift/fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
GF Exp	$0	($36.7)	($37.6)	($37.6)	($38.9)	($40.3)
SF Rev	0	36.7	37.6	37.6	38.9	40.3
SF Exp	0	36.7	37.6	37.6	38.9	40.3

State Effect: General fund expenditures decrease by $36.7 million in fiscal 2010 due to the shift in costs from the State to the local jurisdictions. General funds to support SDAT are included in the proposed fiscal 2010 budget, but a reduction of $36.7 million is contingent on the enactment of legislation requiring the counties to pay these costs. The proposed budget also includes language to authorize budget amendments to expend the special funds collected from counties.

The fiscal 2010 cost shift includes:

- a $33 million fund swap that allows the department to use special funds in lieu of general funds for 90% of the expenditures associated with the Real Property and Business Valuation programs; and
- a $3.7 million fund swap that allows the department to use special funds in lieu of general funds for 75% of the expenditures associated with the Information Technology Program and the implementation of the Assessment Administration and Valuation System (AAVS). Expenditures associated with AAVS are currently budgeted in the Major Information Technology Development Project Fund.

Future year expenditure estimates reflect the five-year average of expenditure changes for each unit.

Local Effect: Local government expenditures increase by $36.7 million in fiscal 2010 and by an estimated $40.3 million in fiscal 2014. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total. The fiscal 2010 reimbursement is shown by local jurisdiction in **Appendix C3**.

Program Description: SDAT supervises the assessment of all property in the State.

Recent History: The counties and local municipalities are the primary beneficiaries of property taxes in Maryland. In fiscal 2009, the State property tax rate is $0.112 per $100 of assessed value, while county property tax rates are generally about $1.00 per $100 of assessed value.

Location of Provision(s) in the Bill: Section 1 (pp. 27-28)

Analysis prepared by: Chantelle M. Green and Michael Sanelli

Program: 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

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
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 proposed fiscal 2010 State budget authorizes the processing of a special fund budget amendment of up to $35.6 million to use the RGGI proceeds to replace the general fund amount. 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 $57.5 million for energy programs through the federal American Recovery and Reinvestment Act of 2009.

Location of Provision(s) in the Bill: Section 3 (p. 30)

Analysis prepared by: Scott D. Kennedy and Andrew Gray

Program: Freeze Residential Child Care 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	$0.0	($6.5)	$0	$0	$0	$0

State Effect: General fund expenditures for fiscal 2010 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). Language in the fiscal 2010 budget bill will reduce the DHR budget by $5.5 million 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 reduction is executed for DJS with the enactment of this provision. 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. 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. 33)

Analysis prepared by: Steven D. McCulloch and Jennifer Botts

Appendix B

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GENERAL FUND REVENUES						
Fund Transfers - One-time Effect						
Local Income Tax Reserve Acct	366,778,631					
Dedicated Purpose Account	73,000,000					
State Police Helicopter Fund	51,500,000					
University System of MD Fund Balance	20,000,000					
Injured Workers' Insurance Fund	18,000,000					
Trauma Physician Services Fund	17,000,000					
Community Health Resources Fund	14,000,000					
Insurance Trust Fund	10,000,000					
MD Automobile Insurance Fund	7,000,000					
Central Collection Fund	5,000,000	5,000,000				
Economic Development "Sunny Day" Fund	5,000,000					
MEDAAF	5,000,000	5,000,000				
Board of Physicians	3,000,000					
Oil Disaster Containment Fund	2,006,000					
Maryland Health Care Commission	2,000,000					
Vehicle Theft Prevention Fund	1,000,000					
Used Tire Cleanup and Recycling Fund	1,000,000					
School Bus Safety Enforcement Fund	900,000					
Insurance Regulation Fund	605,035					
Board of Nursing	500,000					
Small Business Pollution Compliance Fund	277,785					
Senior Prescription Drug Program	2,659,204					
Catastrophic Event Fund		5,398,109				
Board of Occupational Therapy Fund		100,000				
Board of Examiners for Audiologists Fund		100,000				
Subtotal – Transfer Revenue	***606,226,655***	***15,598,109***	***0***	***0***	***0***	***0***
Reduce Dedicated SF Revenue – One-time Effect						
Chesapeake Bay 2010 Fund		6,487,556				
Subtotal – Revenue Dedication Relief	***0***	***6,487,556***	***0***	***0***	***0***	***0***

		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	New Revenues – Ongoing Effect						
	Reduce Lottery Commissions		8,568,500	8,782,713	8,975,932	8,554,063	8,477,077
	Accelerate Elimination of Coal Credits		9,000,000	9,000,000	6,000,000	6,000,000	6,000,000
	Subtotal – New Revenues	***0***	***17,568,500***	***17,782,713***	***14,975,932***	***14,554,063***	***14,477,077***
	TOTAL GENERAL FUND REVENUES	**606,226,655**	**39,654,165**	**17,782,713**	**14,975,932**	**14,554,063**	**14,477,077**
	SPECIAL FUND REVENUES						
	Increase Drinking Driving Monitoring Fee	114,000	1,368,000	7,524,000	7,524,000	7,524,000	7,524,000
	Reduce Bay 2010 Fund Dedication		(6,487,556)				
	Recognize Additional Uncomp. Care Revenue		9,000,000				
	Charge Counties for Property Valuations		36,692,086	37,608,690	37,584,537	38,926,758	40,320,971
	TOTAL SPECIAL FUND REVENUES	**114,000**	**40,572,530**	**45,132,690**	**45,108,537**	**46,450,758**	**47,844,971**
	GENERAL FUND EXPENDITURES						
	General Fund Mandate Relief						
*	Eliminate State Employee Pay Increases		(60,342,395)	(62,997,460)	(65,769,348)	(68,663,199)	(71,684,380)
**	Level Fund Comm. College Aid Formula		(49,912,643)	(60,045,729)	(47,550,369)	(39,752,781)	(20,798,610)
**	Reduce State Share of Nonpub. Placements		(48,330,078)	(50,370,493)	(52,813,893)	(55,644,826)	(58,766,426)
**	Alter Supplemental Grant Calculation		(43,334,802)	(43,334,802)	(43,334,802)	(43,334,802)	(43,334,802)
**	Level Fund Private Colleges and Univ.		(15,633,522)	(17,888,384)	(14,322,098)	(10,432,239)	(6,171,366)
**	Eliminate Deferred Compensation Match		(11,833,299)				
**	Eliminate GFs for Aging Schools		(11,666,661)	(6,117,672)	(6,215,550)	(6,321,835)	(6,465,346)
**	Reduce Funding for Arts Council		(6,000,000)	(6,810,741)	(4,730,634)	(2,571,347)	(2,674,200)
**	Alter State Reimbursement for Local Jails		(6,000,000)	(6,240,000)			
**	Change Teacher Quality Incentives		(5,325,000)	(5,325,000)	(5,325,000)	(5,325,000)	(5,325,000)
**	Reduce Local Aid for Libraries		(3,615,315)	(6,081,561)	(2,429,346)		
**	Limit Balt. City Comm. College Increase		(2,383,467)	(3,953,050)	(3,436,755)	(2,873,312)	(1,503,714)
**	Waterway Improvement Fund		(1,794,000)	(1,794,000)	(1,794,000)	(1,794,000)	(1,794,000)
**	Reduce State Library Network		(1,695,959)	(2,628,919)	(931,974)		
**	Reduce MD School for the Deaf Formula		(1,304,803)	(1,346,680)	(1,368,670)	(1,391,626)	(1,415,933)
**	Reduce MARBIDCO Mandate		(1,250,000)	(1,250,000)			
**	Reduce Mandate for the Tourism Fund		(1,100,000)	(1,100,000)	(500,000)		
**	Defer Soil Conservation Dist. Increases		(400,000)	(800,000)	(400,000)		
**	Defer PDIP Payment		(265,640)	265,640			
	Subtotal – GF Mandate Relief	***0***	***(272,187,584)***	***(277,818,851)***	***(250,922,438)***	***(238,104,967)***	***(219,933,778)***

		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Fund Swaps							
**	Drinking Driving Monitor 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)	1,100,000			
**	Charge Counties for Costs SDAT		(36,692,086)	(37,608,690)	(37,584,537)	(38,926,758)	(40,320,971)
**	Increase RGGI Funds for Energy Asst.		(35,556,999)	(35,556,999)			
**	Redirect Medicare for Emp./Retiree Health		(14,752,276)	(15,784,935)	(16,889,880)	(18,072,172)	(19,337,224)
**	Reduce CRF Smoking Cessation Mandate		(13,828,224)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)
**	Reduce Comm. Health Resources Mandate		(9,100,000)	(10,600,000)	(12,256,000)	(14,011,000)	(15,872,000)
**	Use Hosp. Assessments for Base Medicaid		(9,000,000)				
**	Reduce CRF Acad. Health Ctr. Mandate		(5,400,000)	(5,550,000)			
**	Use FFs for MD Health Ins. 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)				
**	Eliminate Parks Payments to Counties		(1,881,877)	(2,013,608)			
**	Universal Service Trust Fund for MSD		(1,000,000)				
**	Waterway Improvement Funds for Admin.		(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
	Subtotal – Fund Swaps	***(114,000)***	***(200,829,462)***	***(137,288,232)***	***(98,004,417)***	***(102,283,930)***	***(106,804,195)***
Cost Control							
***	Freeze Residential Child Care Rates		(6,500,000)				
*	Limit Increases in Nonpublic Rates		(3,924,228)	(4,105,527)	(4,317,256)	(4,557,647)	(4,821,184)
	Subtotal – Cost Control	***0***	***(10,424,228)***	***(4,105,527)***	***(4,317,256)***	***(4,557,647)***	***(4,821,184)***
TOTAL GENERAL FUND EXPENDITURES		**(114,000)**	**(483,441,274)**	**(419,212,610)**	**(353,244,112)**	**(344,946,544)**	**(331,559,157)**

*The fiscal 2010 general fund reduction is assumed in the proposed fiscal 2010 State budget.
**The fiscal 2010 general fund reduction is contingent on legislation authorizing a decrease in spending.
***A portion ($5,500,000) of the fiscal 2010 general fund reduction is contingent on legislation authorizing the decrease.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SPECIAL FUND EXPENDITURES						
Drinking Driving Monitoring Fee Increase	114,000	1,368,000	7,524,000	7,524,000	7,524,000	7,524,000
Eliminate State Employee Pay Increases		(11,889,862)	(12,413,016)	(12,959,189)	(13,529,393)	(14,124,686)
Chesapeake Bay 2010 Fund		(6,487,556)				
Eliminate Deferred Compensation Match		(4,280,707)				
Use Medicare for Emp./Retiree Health		(3,574,801)	(3,825,037)	(4,092,790)	(4,379,285)	(4,685,835)
Stadium Authority School Construction SFs		(2,400,000)				

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Universal Service Trust Fund for MSD		1,000,000				
Use Hosp. Assessments for Base Medicaid		9,000,000				
Payment to the Prince George's Hospital		12,000,000				
Local Payments for SDAT		36,692,086	37,608,690	37,584,537	38,926,758	40,320,971
TOTAL SPECIAL FUND EXPENDITURES	**114,000**	**31,427,160**	**28,894,637**	**28,056,558**	**28,542,080**	**29,034,450**
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)				
Redirect Medicare for Emp./Retiree Health		(2,512,191)	(2,688,044)	(2,876,207)	(3,077,541)	(3,292,969)
Medicaid Expenditures for Md Health Ins. Program		4,500,000	9,000,000	9,000,000	9,000,000	9,000,000
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(8,902,918)**	**(554,052)**	**(1,044,319)**	**(1,561,050)**	**(2,105,752)**
REIMBURSEABLE FUND EXPENDITURES						
Eliminate State Employee Pay Increases		(736,569)	(768,978)	(802,813)	(838,137)	(875,015)
Eliminate Deferred Compensation Match		(336,721)				
Use Medicare for Emp./Retiree Health		(240,403)	(257,231)	(275,237)	(294,504)	(315,119)
TOTAL REIM. FUND EXPENDITURES	**0**	**(1,313,693)**	**(1,026,209)**	**(1,078,050)**	**(1,132,641)**	**(1,190,134)**
HIGHER EDUCATION EXPENDITURES						
Eliminate State Employee Pay Increases		(12,215,246)	(12,752,717)	(13,313,837)	(13,899,646)	(14,511,230)
Use Medicare for Emp./Retiree Health		(3,504,411)	(3,749,720)	(4,012,200)	(4,293,054)	(4,593,568)
Eliminate Deferred Compensation Match		(2,922,648)				
TOTAL HIGHER ED. EXPENDITURES	**0**	**(18,642,305)**	**(16,502,437)**	**(17,326,037)**	**(18,192,700)**	**(19,104,798)**
BOND EXPENDITURES						
InterCounty Connector Payment		146,900,000				
TOTAL BOND EXPENDITURES	**0**	**146,900,000**	**0**	**0**	**0**	**0**

Appendix C1
Fiscal 2010 Reductions in K-12 Education Aid Proposed in the Budget Reconciliation and Financing Act
($ in Thousands)

School System	Supplemental Grants	Nonpublic Placements	Teacher Quality Incentives	Aging Schools*	Total Reduction in Education Aid
Allegany	($434)	($343)	$0	($187)	($963)
Anne Arundel	0	(3,921)	0	(966)	(4,888)
Baltimore City	(14,143)	(9,738)	0	(2,651)	(26,532)
Baltimore	(691)	(5,822)	0	(1,670)	(8,182)
Calvert	0	(350)	0	(73)	(423)
Caroline	(816)	(84)	0	(96)	(996)
Carroll	(1,707)	(1,341)	0	(262)	(3,310)
Cecil	(471)	(706)	0	(183)	(1,361)
Charles	(538)	(502)	0	(96)	(1,136)
Dorchester	(712)	(25)	0	(73)	(810)
Frederick	(175)	(870)	0	(349)	(1,394)
Garrett	(561)	(76)	0	(73)	(710)
Harford	(978)	(1,906)	0	(415)	(3,299)
Howard	0	(1,286)	0	(168)	(1,454)
Kent	(264)	(47)	0	(73)	(384)
Montgomery	0	(5,111)	0	(1,151)	(6,262)
Prince George’s	(19,772)	(10,780)	0	(2,310)	(32,862)
Queen Anne’s	0	(134)	0	(96)	(230)
St. Mary’s	(2,073)	(270)	0	(96)	(2,439)
Somerset	0	0	0	(73)	(73)
Talbot	0	(10)	0	(73)	(83)
Washington	0	(623)	0	(258)	(881)
Wicomico	0	(82)	0	(204)	(286)
Worcester	0	0	0	(73)	(73)
Unallocated	0	(4,304)	(5,325)	0	(9,629)
Total	**($43,335)**	**($48,330)**	**($5,325)**	**($11,667)**	**($108,657)**

*The 2009 Capital Budget proposes that $6.1 million in bond premiums be used to fund the aging schools program.

Appendix C2
Fiscal 2010 Reductions in Local Aid Proposed in the Budget Reconciliation and Financing Act
($ in Thousands)

County	Education Aid	Public School Construction	Library Aid	Community Colleges	Total Reduction in Local Aid
Allegany	($963)	$0	($83)	($1,136)	($2,182)
Anne Arundel	(4,888)	0	(206)	(6,864)	(11,958)
Baltimore City	(26,532)	0	(706)	0	(27,238)
Baltimore	(8,182)	0	(573)	(5,600)	(14,355)
Calvert	(423)	0	(44)	(690)	(1,157)
Caroline	(996)	0	(30)	(392)	(1,417)
Carroll	(3,310)	0	(108)	(1,932)	(5,350)
Cecil	(1,361)	0	(77)	(1,251)	(2,688)
Charles	(1,136)	0	(87)	(1,470)	(2,693)
Dorchester	(810)	0	(26)	(311)	(1,147)
Frederick	(1,394)	0	(122)	(2,195)	(3,710)
Garrett	(710)	0	(17)	(751)	(1,477)
Harford	(3,299)	0	(169)	(2,733)	(6,201)
Howard	(1,454)	0	(82)	(3,700)	(5,236)
Kent	(384)	0	(10)	(56)	(450)
Montgomery	(6,262)	0	(279)	(9,816)	(16,357)
Prince George’s	(32,862)	0	(649)	(6,240)	(39,751)
Queen Anne’s	(230)	0	(14)	(430)	(674)
St. Mary’s	(2,439)	0	(69)	(464)	(2,971)
Somerset	(73)	0	(28)	(205)	(306)
Talbot	(83)	0	(11)	(173)	(267)
Washington	(881)	0	(121)	(1,977)	(2,979)
Wicomico	(286)	0	(89)	(989)	(1,364)
Worcester	(73)	0	(15)	(539)	(627)
Unallocated	(9,629)	(2,400)	0	0	(12,029)
Total	**($108,657)**	**($2,400)**	**($3,615)**	**($49,913)**	**($164,585)**

Appendix C3
Fiscal 2010 Impact on Local Jurisdictions Proposed in the Budget Reconciliation and Financing Act
($ in Thousands)

	Total Local Aid	Park Revenues	Local Jail Reimburse	Income Tax Revenues	Total Revenue Reduction	SDAT Payments	Total Local Impact
Allegany	($2,182)	($155)	($67)	($242)	($2,646)	$670	($3,316)
Anne Arundel	(11,958)	(255)	(787)	(3,266)	(16,267)	3,476	(19,742)
Baltimore City	(27,238)	0	0	(2,137)	(29,375)	3,766	(33,141)
Baltimore	(14,355)	(166)	(692)	(5,321)	(20,533)	4,823	(25,356)
Calvert	(1,157)	(5)	(162)	(529)	(1,853)	652	(2,505)
Caroline	(1,417)	(47)	(34)	(107)	(1,605)	260	(1,864)
Carroll	(5,350)	(13)	(181)	(1,070)	(6,614)	1,048	(7,662)
Cecil	(2,688)	(92)	(20)	(453)	(3,253)	753	(4,006)
Charles	(2,693)	(29)	(260)	(727)	(3,709)	1,091	(4,800)
Dorchester	(1,147)	0	(79)	(116)	(1,342)	346	(1,688)
Frederick	(3,710)	(108)	(452)	(1,480)	(5,751)	1,366	(7,117)
Garrett	(1,477)	(297)	(30)	(98)	(1,903)	434	(2,337)
Harford	(6,201)	(37)	(578)	(1,481)	(8,297)	1,516	(9,813)
Howard	(5,236)	(48)	(211)	(2,724)	(8,218)	1,698	(9,916)
Kent	(450)	0	(43)	(115)	(608)	199	(807)
Montgomery	(16,357)	(69)	(1,029)	(10,880)	(28,334)	5,480	(33,814)
Prince George’s	(39,751)	(9)	(597)	(3,590)	(43,947)	4,654	(48,602)
Queen Anne’s	(674)	(2)	(83)	(310)	(1,069)	381	(1,450)
St. Mary’s	(2,971)	(106)	(49)	(550)	(3,677)	733	(4,410)
Somerset	(306)	(38)	(191)	(65)	(600)	262	(862)
Talbot	(267)	(4)	(39)	(274)	(584)	309	(893)
Washington	(2,979)	(107)	(183)	(615)	(3,884)	963	(4,847)
Wicomico	(1,364)	0	(144)	(412)	(1,920)	776	(2,696)
Worcester	(627)	(294)	(89)	(117)	(1,126)	1,036	(2,162)
Unallocated	(12,029)	0	0	0	(12,029)	0	(12,029)
Total	**($164,585)**	**($1,882)**	**($6,000)**	**($36,678)**	**($209,144)**	**$36,692**	**($245,836)**