Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 151 (The Speaker)(By Request - Administration)
Appropriations

Budget Reconciliation and Financing Act of 2010

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, 2010, although some of the provisions apply retroactively to June 1, 2009.

Fiscal Summary

State Effect: General fund revenues increase $760.3 million in FY 2010 and $418.5 million in FY 2011 due to fund balance transfers, the redirection of special fund revenues to the general fund, and the elimination of tax credits. General fund expenditures decrease by $13.3 million in FY 2010 and $566.1 million in FY 2011 due to fund swaps, mandate relief, and cost controls. Of the FY 2011 general fund expenditure reductions, $463.3 million is contingent on actions in the bill and $102.8 million is already assumed in the proposed FY 2011 State budget. Other fund types are also affected by the changes. **This bill reduces mandated appropriations.** Future years reflect ongoing effects.

($ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	$760.3	$418.5	$333.1	($12.2)	($2.8)
SF Revenue	$290.7	$6.5	$44.0	$48.1	$50.3
FF Revenue	$0	$27.0	$28.2	$29.5	$30.8
GF Expenditure	($13.3)	($566.1)	($243.0)	($221.1)	($175.4)
SF Expenditure	$13.5	$11.7	($307.2)	$34.6	$36.2
FF Expenditure	$0	$12.1	$18.3	$19.1	$20.0
ReimB. Exp.	$0	($.7)	($.8)	($.8)	($.8)
Higher Ed Exp.	$0	($12.2)	($12.8)	($13.3)	($13.9)
Bond Exp.	$0	$30.1	$30.0	$0	$0
Net Effect	$1,050.8	$977.2	$920.7	$246.8	$212.2

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

Local Effect: State aid to local governments decreases by $288.4 million in FY 2011 due to reductions to local highway user revenues, community college funding, police aid, student transportation grants, and local health department funding.

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 budget forecast for fiscal 2011 prepared for the Spending Affordability Committee in fall 2009 projected a $2 billion gap between general fund revenues and spending in fiscal 2011. Although the Board of Public Works reduced fiscal 2010 appropriations on three occasions subsequent to the 2009 legislative session, there was also an imbalance between estimated revenues and spending in fiscal 2010. This bill proposes transfers, reductions, and fund swaps that, in conjunction with the annual operating budget proposed by the Administration, will leave the State with a $274 million fund balance by the end of fiscal 2011, as projected by the Administration.

State Fiscal Effect: The fiscal 2010 and 2011 impact of the bill on the State's general fund is estimated in **Exhibit 1**. The table shows that the bill improves the State's general fund position by $773.6 million in fiscal 2010, mostly due to transfers and redirection of dedicated revenue streams. In fiscal 2011, the bill improves the general fund outlook by an additional $984.6 million through a combination of revenue and expenditure actions. The two-year impact on the general fund sums to $1.76 billion.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2010
Fiscal 2010 and 2011
($ in Millions)

	FY 2010	**FY 2011**
Revenues		
Fund Balance Transfers	$701.0	$376.0
Other Revenue Measures	59.3	42.5
Revenue Subtotal	$760.3	$418.5
Expenditures		
Fund Swaps	($13.3)	($400.9)
General Fund Mandate Relief	0.0	(93.1)
Cost Containment	0.0	(72.1)
Expenditure Subtotal	($13.3)	($566.1)
General Fund Improvement	**$773.6**	**$984.6**

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 6). The fiscal 2010 to 2015 State effects for each provision, including the general fund impacts and the effects on any other fund types, are included with the discussions. Charts identifying and totaling the fiscal impact of separate provisions by fund type are provided in **Appendix B** (pages 101 to 106).

Local Revenues: Reductions to fiscal 2011 local aid programs are shown in **Exhibit 2** and total $288.4 million, mostly due to a $238.3 million reduction in local highway user revenues. When applicable, the discussions of individual provisions in Appendix A include sections describing the local effect of each provision. Fiscal 2011 local impacts are shown by county in **Appendix C** (page 107).

Exhibit 2
Budget Reconciliation and Financing Act of 2010
Reductions to State Aid to Local Governments
Fiscal 2011
($ in Millions)

Local Highway User Revenues	($238.3)
Community College Aid	(23.1)
Police Aid	(19.0)
Student Transportation Grants	(4.3)
Local Health Department Funding	(3.7)
Local Aid Subtotal	**($288.4)**

Additional Information

Prior Introductions: None.

Cross File: SB 141 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): Baltimore City; Allegany, Harford, Montgomery, Talbot, Wicomico counties; State Department of Assessments and Taxation; Maryland Department of Agriculture; Baltimore City Community College; Department of Business and Economic Development; Governor's Office of Crime Control and Prevention; Department of Budget and Management; Department of Human Resources; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland State Board of Elections; 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; Judiciary (Administrative Office of the Courts); Maryland State Lottery Agency; Department of Labor, Licensing, and Regulation; Maryland Association of Counties; Department of State Police; Morgan State University; Maryland State Retirement Agency; Public School Construction Program; Maryland School for the Deaf; Subsequent Injury Fund; Maryland Supplemental Retirement Plans; Maryland Stadium Authority; St. Mary's College; Maryland Department of Transportation; Maryland State Treasurer's Office; Uninsured Employers' Fund; University System of Maryland; University of Maryland Medical System; Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2010
mpc/rhh

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Appendix A
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Fund Balance Transfers to the General Fund

Other Transfers and General Fund Revenue Measures

Fund Swaps

Mandate Relief

Cost Containment and Efficiency Measures

Local Share of Highway User Revenues

Provision in the Bill: Reduces the local share of highway user revenues by $159,502,391 in fiscal 2010, $238,336,990 in fiscal 2011, and $340,255,990 in fiscal 2012. These funds are transferred to the general fund. The counties and municipalities share equally in the proposed reductions to highway user revenues. If revenues exceed $140,509,010 for local jurisdictions, Baltimore City will receive 11.5% of the excess revenues and the counties and municipalities receive 88.5% to be distributed as provided in statute.

Agency: Maryland Department of Transportation

Type of Action: Fund transfer; special fund mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$159.5	$238.3	$340.3	$0	0	0
SF Exp	0	(238.3)	(340.3)	0	0	0

State Effect: General fund revenues increase by $159.5 million in fiscal 2010, $238.3 million in fiscal 2011, and $340.3 million in fiscal 2012 due to the transfer of highway user revenues to the general fund. Special fund expenditures decrease by corresponding amounts in fiscal 2011 and 2012. The proposed fiscal 2011 State budget includes a $238.3 million special fund reduction contingent on the enactment of legislation reducing local highway user revenues. The Board of Public Works already reduced the fiscal 2010 grants by $159.5 million.

Local Effect: State aid for local transportation-related costs decreases by $159.5 million in fiscal 2010, $238.3 million in fiscal 2011, and $340.3 million in fiscal 2012. The fiscal 2011 reduction is shown by county in Appendix C.

Program Description: Baltimore City, counties, and municipalities receive a portion of specified transportation revenues to support the construction and maintenance of local roads and other transportation facilities. Until fiscal 2010, local governments generally received 30% of the revenues, with the allocation determined by the statutory funding formula.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced the fiscal 2010 level of funding provided through the highway user revenues formula from 30% to 23.5% (equal to a $101.9 million reduction) and then reduced the resulting amount by another $60.0 million based on local wealth and local income tax effort. Chapter 487 required the revenues to be transferred to the general fund. The

$161.9 million reduction decreased the total local share of highway user revenues to an estimated $308.5 million for fiscal 2010: $166.4 million for Baltimore City; $105.7 million for the counties; and $36.4 million for municipalities. The Board of Public Works then further reduced fiscal 2010 local highway user revenues by $159.5 million. In addition to proposing fiscal 2011 and 2012 reductions to local highway user revenues, this provision codifies the further reduction taken by the Board of Public Works for fiscal 2010 and allows the unspent funds to be credited to the general fund.

Chapter 487 of 2009 also reduced the fiscal 2011 local share of highway user revenues by $101.9 million and, beginning in fiscal 2012, decreases the local share of highway user revenues from 30.0% to 28.5%.

During the 2003, 2004, and 2005 sessions, a total of $271.2 million was transferred from the local share of highway user revenues to the general fund through budget reconciliation legislation.

Location of Provision(s) in the Bill: Section 29 and 30 (pp. 36-38)

Analysis prepared by: Jon Martin

Bay Restoration Fund

Provision in the Bill: Authorizes the transfer of $155,000,000 in unexpended funds from the Bay Restoration Fund to the general fund in fiscal 2010. The transfer may not include any funds required to pay debt service on revenue bonds issued by the Water Quality Financing Administration for the Enhanced Nutrient Removal (ENR) program. The bill also authorizes the transfer of $45,000,000 from the Bay Restoration Fund to the general fund in fiscal 2011.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfers

Fiscal			*($ in millions)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$155.0	$45.0	$0	$0	$0	$0
SF Exp	0	(45.0)	0	0	0	0

State Effect: General fund revenues increase by $155.0 million in fiscal 2010 and $45.0 million in fiscal 2011 due to the transfers. Special fund expenditures decrease correspondingly in fiscal 2011. Future years are not affected.

The Governor's proposed fiscal 2011 capital budget and *Capital Improvement Program* (CIP) include general obligation (GO) bond funding to fully replace the $45.0 million of transferred fiscal 2011 revenues and phases in the replacement of the $155.0 million in transferred fiscal 2010 unexpended funds over a two-year period ($80.0 million in fiscal 2011 and $75.0 million in fiscal 2012).

Local Effect: Unless the amounts transferred to the general fund are replaced with GO bond funding, which is not required by this bill but is contained in the Governor's proposed fiscal 2011 capital budget and five-year CIP, local grant revenues for ENR upgrades decrease.

Program Description: The Bay Restoration Fund (Chapter 428 of 2004) was created to address the significant decline in Chesapeake Bay water quality due to over-enrichment of nutrients such as phosphorus and nitrogen. This dedicated fund, financed in large part by wastewater treatment plant users, is used to upgrade Maryland's 67 major publicly owned wastewater treatment plants with ENR technology so they are capable of achieving wastewater effluent quality of 3.0 milligrams per liter (mg/L) total nitrogen and 0.3 mg/L total phosphorus. The Water Quality Financing Administration is authorized to issue revenue bonds for the ENR upgrades; the debt service on those bonds is paid with future year fee revenues.

Recent History: The Maryland Department of the Environment currently estimates the cost to upgrade the 67 major publicly owned wastewater treatment plants at over $1.5 billion. Based on anticipated revenues to the fund, assuming the replacement of funds transferred by this bill with GO bond funding, the fund has a projected deficit of an estimated $659.0 million.

Location of Provision(s) in the Bill: Sections 11 and 13 (pp. 25 and 30)

Analysis prepared by: Matt Klein and Andrew Gray

Oil Contaminated Site Environmental Cleanup Fund

Provision in the Bill: Authorizes the transfer of $1,200,000 from the Oil Contaminated Site Environmental Cleanup Fund to the general fund in fiscal 2010.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.2	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.2 million in fiscal 2010 due to the transfer. Future years are not affected. The Oil Contaminated Site Environmental Cleanup Fund will be left with a projected $5.4 million fund balance at the end of fiscal 2010.

Program Description: The Oil Contaminated Site Environmental Cleanup Fund is used to reimburse owners or operators of underground storage tanks and heating oil tanks for site rehabilitation costs following releases. The fund is currently supported with a $0.0175 per barrel fee on oil transferred into the State; that fee is set to expire at the end of fiscal 2010. Estimated fiscal 2010 revenue to the fund is $2.1 million.

Recent History: Chapter 177 of 2005 increased the portion of the oil transfer fee that is deposited into the Oil Contaminated Site Environmental Cleanup Fund from $0.01 to $0.0175 and extended the authorization to collect the fee through fiscal 2010. Chapter 177 also modified the uses of the fund; among other things, the Act provided that heating oil tank owners are eligible for reimbursement from the fund through fiscal 2010.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Evan Isaacson

State Used Tire Cleanup and Recycling Fund

Provision in the Bill: Authorizes the transfer of $1,100,000 from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2010.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.1	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.1 million in fiscal 2010 due to the transfer. Future years are not affected. The State Used Tire Cleanup and Recycling Fund will be left with a projected $3.5 million fund balance at the end of fiscal 2010.

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 $3.6 million.

Recent History: The Budget Reconciliation and Act of 2009 (Chapter 487) authorized the transfer of $3.0 million from the State Used Tire Cleanup and Recycling Fund to the general fund for fiscal 2009 and authorized, beginning in fiscal 2010, the use of up to 50% of the revenues generated for the fund for administrative expenses of the Maryland Department of the Environment.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Lesley Cook

Tidal Wetlands Compensation Fund

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Tidal Wetlands Compensation Fund to the general fund in fiscal 2010.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions) **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.0 million in fiscal 2010 due to the transfer. Future years are not affected. The Tidal Wetlands Compensation Fund will be left with a projected $323,600 fund balance at the end of fiscal 2010.

Program Description: The Tidal Wetlands Compensation Fund consists of monetary payments made by licensees in lieu of creating, restoring, or enhancing tidal wetlands as required by the Maryland Department of the Environment or Board of Public Works as a condition of a wetlands permit or license; and specified penalties. Funds may be used only for the creation, restoration, or enhancement of tidal wetlands. Estimated fiscal 2010 revenue is $165,000.

Recent History: Chapter 142 of 2008 redirected wetlands license fee revenue collected by the Board of Public Works from the Tidal Wetlands Compensation Fund to the Wetlands and Waterways Program Fund.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Lesley Cook

Maryland Clean Air Fund

Provision in the Bill: Authorizes the transfer of $300,000 from the Maryland Clean Air Fund to the general fund in fiscal 2010.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Rev	$300,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $300,000 in fiscal 2010 due to the transfer. Future years are not affected. The Maryland Clean Air Fund will be left with a projected $1.3 million fund balance at the end of fiscal 2010.

Program Description: The Maryland Clean Air Fund is used for activities relating to identifying, monitoring, and regulating air pollution in the State, including program development, and for providing air quality grants to local governments. The fund consists of application fees, permit fees, renewal fees, and all other funds collected by the Maryland Department of the Environment under the Ambient Air Quality Control and Asbestos laws, as well as any funds received from the Maryland Energy Administration's Strategic Energy Investment Fund (SEIF). When the Maryland Clean Air Fund balance exceeds $2.0 million, additional funds received by the department must be deposited into the general fund. Estimated fiscal 2010 revenue is $9.3 million, which includes an estimated $2.1 million from SEIF.

Recent History: Chapters 127 and 128 of 2008 modified the revenue sources to the Maryland Clean Air Fund to accommodate any funds received from the Maryland Strategic Energy Investment Fund. Chapter 141 of 2008 increased emission-based permit fees that are paid into the fund and, effective in 2010, repealed the maximum fee for a single source. Chapters 127, 128, and 141 of 2008 increased the cap on the Maryland Clean Air Fund from $750,000 to $2.0 million.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Lesley Cook

Radiation Control Fund

Provision in the Bill: Authorizes the transfer of $150,000 from the Radiation Control Fund to the general fund in fiscal 2010.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$150,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $150,000 in fiscal 2010 due to the transfer. Future years are not affected. The Radiation Control Fund will be left with a projected $915,981 fund balance at the end of fiscal 2010.

Program Description: The Radiation Control Fund consists of various license, registration, and certification fees, as well as fines and penalties resulting from the department's efforts to control sources of radiation. The fund is used for activities relating to identifying, monitoring, and controlling sources of radiation and for program development. Estimated fiscal 2010 revenue to the fund is $2.1 million.

Recent History: Chapter 222 of 2002 increased the maximum fee that the Maryland Department of the Environment may establish by regulation for dental radiation machines from $40 per machine per year to $60 for fiscal 2003 and 2004, $70 for fiscal 2005 and fiscal 2006, and $80 for fiscal 2007 through fiscal 2010. As the General Assembly has not authorized a change in the fee, it will continue at $80 per machine per year beyond fiscal 2010.

Location of Provision(s) in the Bill: Section 11 (p. 28)

Analysis prepared by: Evan Isaacson

University System of Maryland Fund Balance

Provisions in the Bill: Authorize the transfer of $85,051,173 from University System of Maryland (USM) fund balances to the general fund by June 30, 2010, and the transfer of $51,731,321 from USM fund balances to the general fund by June 30, 2011.

Agency: University System of Maryland

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$85.1	$51.7	$0	$0	$0	$0

State Effect: General fund revenues increase by $85.1 million in fiscal 2010, of which $20.1 million is related to furlough savings being transferred from the fund balance and $65.0 million is a reduction in USM's fund balance approved by the Board of Public Works during a series of cost containment actions in 2009. In fiscal 2011, general fund revenues increase by $51.7 million, which includes $11.7 million in furlough savings being transferred from the fund balance and a $40.0 million reduction of USM's fund balance. An estimated $539.1 million remains in the fund balance after transfers in fiscal 2011, including $37.7 million in the State-supported portion of the fund balance.

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

Recent History: In fiscal 2009 the State transferred $29.0 million from USM's fund balance to the general fund.

Location of Provision(s) in the Bill: Section 11 (p. 25) and Section 13 (p. 30)

Analysis prepared by: Sara Baker

Morgan State University Fund Balance

Provisions in the Bill: Authorize the transfer of $1,664,227 from Morgan State University (MSU) fund balances to the general fund by June 30, 2010, and the transfer of $790,574 from MSU fund balances to the general fund by June 30, 2011.

Agency: Morgan State University

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
	($ in millions)					
GF Rev	$1.7	$0.8	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.7 million in fiscal 2010, of which $1.5 million is related to furlough savings being transferred from the fund balance and $158,921 is a reduction in MSU's fund balance approved by the Board of Public Works during 2009 cost containment actions. In fiscal 2011, general fund revenues increase by $790,564, which includes $750,574 in furlough savings being transferred from the fund balance and a $40,000 reduction to MSU's fund balance. An estimated $4.6 million remains in the State-supported portion of the fund balance after transfers in fiscal 2011.

Program Description: The MSU fund balance is maintained to protect individuals who hold MSU-related bonds, to fund capital needs, and to preserve the university's credit rating.

Location of Provision(s) in the Bill: Section 11 (p. 26) and Section 13 (p. 30)

Analysis prepared by: Sara Baker

St. Mary's College of Maryland Fund Balance

Provisions in the Bill: Authorize the transfer of $204,368 from the St. Mary's College of Maryland (SMCM) fund balance to the general fund by June 30, 2010, and an additional $204,368 transfer by June 30, 2011.

Agency: St. Mary's College of Maryland

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$204,368	$204,368	$0	$0	$0	$0

State Effect: General fund revenues increase by $204,368 in fiscal 2010 and again in fiscal 2011. Both transfers are related to furlough savings in fiscal 2010 and 2011. An estimated $4,536,264 remains in the SMCM fund balance after the transfer.

Program Description: The SMCM fund balance is maintained to protect individuals who hold SMCM-issued bonds, to fund capital needs, and to preserve the college's credit rating.

Location of Provision(s) in the Bill: Section 11 (p. 27) and Section 13 (p. 30)

Analysis prepared by: Richard Harris

Baltimore City Community College Fund Balance

Provisions in the Bill: Authorize the transfer of $96,541 from the Baltimore City Community College (BCCC) fund balance to the general fund by June 30, 2010, and an additional $822,287 transfer by June 30, 2011.

Agency: Baltimore City Community College

Type of Action: Fund balance transfer

Fiscal Impact: *(in dollars)*	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$96,541	$822,287	$0	$0	$0	$0

State Effect: General fund revenues increase by $96,541 in fiscal 2010 and by $822,287 in fiscal 2011. An estimated $23.7 million remains in the BCCC fund balance after the fiscal 2011 transfer. Both transfers are related to employee furlough savings in fiscal 2010 and 2011.

Program Description: The BCCC fund balance is maintained to fund capital needs, expansion, and to preserve the college's credit rating.

Location of Provision(s) in the Bill: Section 11 (p. 28) and Section 13 (p. 30)

Analysis prepared by: Richard Harris

Heritage Structure Rehabilitation Credit

Provision in the Bill: Authorizes the transfer of $39,693,790, or any remaining balance, from the Heritage Structure Rehabilitation Tax Credit Reserve Fund to the State's general fund by June 30, 2010.

Agency: Comptroller's Office

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions) **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$39.7	($12.9)	($13.5)	($10.7)	($2.0)	($0.5)

State Effect: General fund revenues increase by $39.7 million in fiscal 2010 due to the transfer. Future years reflect revenue losses resulting from the elimination of a fund balance that would otherwise cover the loss of revenue.

Recent History: In 2004, the commercial tax credit portion of the Heritage Structure Rehabilitation Credit program was shifted from a traditional tax credit program to a tax credit program that is subject to an annual appropriation in the State budget, with an aggregate limitation based on the final appropriation. The reserve fund was established to offset future general fund reductions resulting from credits claimed for the rehabilitation of commercial properties. The amount appropriated for the commercial program in each fiscal year is transferred to the reserve fund. After notification from the Maryland Historical Trust that a project has been completed, the Comptroller transfers an amount from the reserve fund to the general fund equal to the credit earned by the project – offsetting the anticipated revenue loss from the credit earned by the project.

The money currently in the fund reflects the total credits that will be claimed by projects receiving approval through the July 1, 2010 termination date of the program. The current forecast from the Bureau of Revenue Estimates reduces general fund revenues to reflect credits claimed by these projects and assumes that transfers from the reserve fund will equal $11.4 million in fiscal 2010, $12.9 million in fiscal 2011, $13.5 million in fiscal 2012, $10.7 million in fiscal 2013, $2.0 million in fiscal 2014, and $0.5 million in fiscal 2015. Without the funding in the reserve account, there will be no offsets to the general fund revenue losses.

Location of Provision(s) in the Bill: Section 11 (p. 25)

Analysis prepared by: Robert J. Rehrmann

Real Property Records Improvement Fund

Provision in the Bill: Authorizes the transfer of $25,000,000 from the Circuit Court Real Property Records Improvement Fund to the general fund by June 30, 2010.

Agency: Judiciary – Administrative Office of the Courts

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions) **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$25.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $25.0 million in fiscal 2010 due to the transfer. Future years are not affected. Following the transfer, the remaining balance in the Circuit Court Real Property Records Improvement Fund will total approximately $12.7 million.

Program Description: Created by Chapter 327 of 1991, the Circuit Court Real Property Records Improvement Fund consists of surcharges assessed on instruments recorded in the land records and the financing statement records, document copying revenues, and accumulated interest revenue. The nonlapsing fund supports all personnel and operating costs within the land records offices of the clerks of the circuit court. It further supports the maintenance costs of the Electronic Land Records Online Imagery System and its web site for making images accessible to the public. Annual surcharge revenues are estimated to be about $17 million per year for fiscal 2010 and 2011. These amounts are sufficient to cover the costs of the land records offices but not the additional costs associated with the land records imagery system and web site.

Recent History: During the 2007 special session, legislation was adopted to fund the Judiciary's major information technology development projects with special funds from the Circuit Court Real Property Records Improvement Fund for two fiscal years. That provision terminates at the end of fiscal 2010, and funding for major information technology projects shifts back to general funds in fiscal 2011.

Location of Provision(s) in the Bill: Section 11 (p. 25)

Analysis prepared by: Jason F. Weintraub

Injured Workers' Insurance Fund General Reserves

Provision in the Bill: Authorizes the transfer of $20,000,000 from the Injured Workers' Insurance Fund (IWIF) reserve to the general fund by June 30, 2010.

Agency: Injured Workers' Insurance Fund

Type of Action: Fund balance transfer

Fiscal Impact:	***($ in millions)*** **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$20.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $20.0 million in fiscal 2010 due to the transfer of funds from IWIF's reserves. Future years are not affected.

Program Description: IWIF is the third-party workers' compensation claims administrator for the State and the provider of last resort in the State. The funds transferred through this provision represent the reserves the quasi-governmental unit has accumulated through the course of its operations as a provider of workers' compensation insurance policies to businesses operating in Maryland and are not State monies previously disbursed to IWIF. As of December 2009, IWIF held reserves worth $287.6 million.

IWIF's operations are solely financed by premiums and investments, but its start-up capital and the majority of its plant assets, such as the various parcels of land constituting its current office location in Towson, were provided by the State. By controlling operating expenses and utilizing a conservative investment portfolio, IWIF has accumulated its reserves, which serve to maintain rate stability for Maryland businesses. In 2008, IWIF reduced rates by 5% due to the reserve increases its business model was able to yield.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Michael Vorgetts and Dylan Baker

Injured Workers' Insurance Fund Reserve for Claims Against the State and State Administrative Costs Account

Provision in the Bill: Authorizes fiscal 2010 transfers to the general fund of $6,000,000 from the Injured Workers' Insurance Fund (IWIF) reserve for actuarial liability against the State and $500,000 from the IWIF State administrative costs account.

Agency: Injured Workers' Insurance Fund

Type of Action: Fund balance transfers

Fiscal			*($ in millions)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$6.5	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $6.5 million in fiscal 2010 due to the transfers. Future years are not affected.

Program Description: IWIF is the third-party workers' compensation claims administrator for the State and the provider of last resort in the State. The special fund reserve for actuarial liability claims 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 administrative costs account is used to pay for the State's workers' compensation annual operating expenses. The funds in these accounts are funds of the State; therefore, the transfers have no effect on IWIF or any private employers insured by IWIF.

The estimated long-term workers' compensation liability of the State was $270.2 million as of June 2009. The fund balance as of June 30, 2009 was $10.8 million, or about 4% of the liability. 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: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer to the general fund of $28.0 million from the IWIF reserve for actuarial liability for claims against the State.

In fiscal 2003 and 2004, the State transferred a total of $114.2 million from the IWIF reserve to the general fund. In fiscal 2008, the State refunded about $3.9 million, or 3.4% of the amount transferred, 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 11 (pp. 26 and 27)

Analysis prepared by: Michael Vorgetts and Dylan Baker

Waterway Improvement Fund

Provisions in the Bill: Authorize transfers from the Waterway Improvement Fund (WIF) to the general fund of $13,509,450 by June 30, 2010, and $3,934,000 by June 30, 2011.

Agency: Department of Natural Resources

Type of Action: Fund balance transfers

Fiscal Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
	($ in millions)					
GF Rev	$13.5	$3.9	$0	$0	$0	$0
SF Exp	0	(3.9)	0	0	0	0

State Effect: General fund revenues increase by $13.5 million in fiscal 2010 and $3.9 million in fiscal 2011 due to the transfers. Future years are not affected. Subsequent to the transfers, the fund balance will be $0. Due to the depletion of the fund balance, fiscal 2011 special fund expenditures will decrease by $3.9 million.

The Governor's proposed fiscal 2011 capital budget includes $10.2 million in general obligation bond funding for WIF to replace $6.3 million of the bill's fiscal 2010 transfer and all of the bill's fiscal 2011 transfer.

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; however, the Administration plans to replace most of the special funds with bond funds.

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 Reconciliation and 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 Reconciliation and 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 established 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. However, the Budget Reconciliation and Financing Act of 2009 repealed the mandated annual general fund appropriation, removed a prohibition on the use of WIF revenue for administrative expenses, and specifically authorized the use of up to $750,000 in WIF special funds annually for program administration.

During fall 2009, the Board of Public Works reduced the fiscal 2010 special fund appropriation for WIF-related programs and staff in the operating budget by $994,450.

Location of Provision(s) in the Bill: Sections 11 and 13 (pp. 26 and 30)

Analysis prepared by: Amanda M. Mock

Ocean Beach Replenishment Fund

Provision in the Bill: Authorizes the transfer of $3,401,000 from the local portion of the Ocean Beach Replenishment Fund to the general fund by June 30, 2010.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$3.4	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $3.4 million in fiscal 2010 due to the transfer. Future years are not affected.

The Governor's proposed fiscal 2011 capital budget includes a total of $6.5 million in general obligation (GO) bonds for the Ocean Beach Replenishment Fund, of which $3.4 million is for the local portion and $3.1 million is for the State portion. Thus, the proposed fiscal 2011 budget provides GO bond funding to fully replace the bill's fiscal 2010 fund balance transfer and there is no local effect.

Program Description: The Ocean Beach Replenishment Fund was established to fund periodic maintenance of the Ocean City beach replenishment project. When the fund was established, the State entered into a funding agreement with Worcester County and Ocean City. The funding agreement stipulates that the following amounts be provided annually: not less than $1.0 million from the State; and not less than $500,000 each from the county and the city. Periodic nourishment is deemed the most cost-effective method of maintaining the beach over a 50-year period. Transfer tax revenue within DNR's Program Open Space is used to fund the State's contribution to this effort.

According to the financing agreement approved by the State, Worcester County, and Ocean City, if the program's maintenance fund balance is at or above $15.0 million, the parties may forgo their annual contributions until the balance falls below $15.0 million. However, interest will continue to accrue to the benefit of the county and Ocean City and be credited to their next contribution.

Recent History: The fiscal 2010 budget did not include funding for the Ocean City beach maintenance project, as the Ocean Beach Replenishment Fund balance exceeded $15.0 million and additional funding was not required. The Governor's proposed fiscal 2011 budget includes a total of $7.5 million for the Ocean Beach Replenishment Fund, a $1.0 million special fund local contribution and $6.5 million in GO bonds.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Amanda M. Mock

Land Trust Grant Program

Provision in the Bill: Authorizes the transfer of $1,500,000 from the Land Trust Grant Fund (LTGF) to the general fund by June 30, 2010.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.5	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.5 million in fiscal 2010 due to the transfer. Future years are not affected. Subsequent to the transfer, the fund balance will be $0, assuming the Department of Natural Resources (DNR) adjusts current spending. Since DNR does not project any loan repayment income in fiscal 2010 or 2011, loan funding will not be available in fiscal 2011. In future years, loan repayments will replenish the fund and potentially enable DNR to issue loans under the program.

Program Description: LTGF was created in 1990 to provide interest-free loans to help local land trusts preserve and protect open space and natural areas in the State. LTGF is a nonlapsing revolving fund and is administered by the Maryland Environmental Trust, which is funded through DNR.

Recent History: In August 2009, the Board of Public Works reduced the LTGF fiscal 2010 special fund appropriation by $1.5 million. This provision transfers the savings from that action to the general fund.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Amanda M. Mock

Shore Erosion Control Construction Loan Fund

Provision in the Bill: Authorizes the transfer of $305,481 from the Shore Erosion Control Construction Loan Fund to the general fund before June 30, 2010.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$305,481	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $305,481 in fiscal 2010 due to the transfer. Future years are not affected. Subsequent to the transfer, the fund balance will be $184,668. Based on the current loan repayment rate and assuming the Department of Natural Resources (DNR) adjusts current spending, sufficient revenue is anticipated in fiscal 2011 to sustain the fund.

Local Effect: The transfer may result in less funding for local governments seeking shore erosion control construction loans.

Program Description: DNR's Shore Erosion Control Construction Loan Fund provides interest-free loans or grants to persons, municipalities, or counties for design and construction of shore erosion control projects. The fund is a special, nonlapsing fund and is maintained by repayments of principal on loans, payment of administrative costs, and annual appropriations as needed.

Recent History: In August 2009, the Board of Public Works reduced the Shore Erosion Control Construction Loan Fund's fiscal 2010 special fund appropriation by $105,481 and deleted an associated position. Some of the transfer is the result of the savings generated by that action.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Amanda M. Mock

State Insurance Trust Fund

Provision in the Bill: Authorizes the transfer of $5,221,332 from the State Insurance Trust Fund to the general fund by June 30, 2010.

Agency: Office of the State Treasurer

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$5.2	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.2 million in fiscal 2010 due to the transfer. Future years are not affected. The transfer will reduce the estimated balance on June 30, 2010 to $23.8 million, which is $2.7 million below the actuarial recommended fund balance.

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

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $5.0 million in fiscal 2002 and the Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $10.0 million in fiscal 2009 from the State Insurance Trust Fund to the general fund.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Steven D. McCulloch

Cash Management Improvement Fund

Provision in the Bill: Authorizes the transfer of $733,339 from the Cash Management Improvement Fund in the Office of the State Treasurer to the general fund by June 30, 2010.

Agency: Office of the State Treasurer

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$733,339	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $733,339 in fiscal 2010 due to the transfer. Future years are not affected. The transfer will reduce the fund to $50,000. It is estimated that this amount will be sufficient to pay penalties due to the federal government for several years.

Program Description: The Cash Management Improvement Fund is used to pay penalties due to the federal government when State agencies draw federal funds before they are needed. Until fiscal 2010, the fund was also used to pay for a position in the Office of the State Treasurer that was responsible for fulfilling the reporting requirements under the federal Cash Management Improvement Act.

Recent History: The Cash Management Improvement Act position in the Office of the State Treasurer was abolished as part of the fiscal 2010 cost containment actions taken by the Board of Public Works. The position was abolished because the consolidated reporting, anticipated when the position was created, was not possible due to the decision to forgo development of a needed module for the State's Financial Management Information System.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Steven D. McCulloch

Neighborhood Business Development Fund

Provisions in the Bill: Authorize transfers from the Neighborhood Business Development Fund to the general fund of $3,628,687 by June 30, 2010, and $3,200,000 by June 30, 2011.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfers

Fiscal Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
	($ in millions)					
GF Rev	$3.6	$3.2	$0	$0	$0	$0
SF Exp	0	(3.2)	0	0	0	0

State Effect: General fund revenues increase by $3.6 million in fiscal 2010 and $3.2 million in fiscal 2011 due to the transfers. Future years are not affected. Following the transfers, the remaining balance in the Neighborhood Business Development Fund will be $496,068 at the close of fiscal 2010 and $46,068 at the close of fiscal 2011. Due to the depletion of the fund balance, fiscal 2011 special fund expenditures will decrease by $3.2 million.

The proposed fiscal 2011 capital budget includes $7.6 million in general obligation bonds to this program to replace the bulk of the transfers.

Program Description: The Neighborhood Business Development Program provides grants and loans to small businesses and nonprofits to fund community-based economic development activities in revitalization areas designated by local governments.

The Neighborhood Business Development Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments.

Recent History: Declining loan repayments have reduced the program's activity levels and fund balance in recent years.

Location of Provision(s) in the Bill: Sections 11 and 13 (pp. 26 and 30)

Analysis prepared by: Flora Arabo

Special Loan Programs Fund

Provisions in the Bill: Authorize transfers from the Special Loan Programs Fund to the general fund of $2,176,565 by June 30, 2010, and $2,500,000 by June 30, 2011.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$2.2	$2.5	$0	$0	$0	$0
SF Exp	0	(2.5)	0	0	0	0

State Effect: General fund revenues increase by $2.2 million in fiscal 2010 and $2.5 million in fiscal 2011 due to the transfers. Future years are not affected. Following the transfers, the remaining balances in the Special Loan Programs Fund will be $638,867 at the close of fiscal 2010 and $41,867 at the close of fiscal 2011. Due to the depletion of the fund balance, fiscal 2011 special fund expenditures will decrease by $2.5 million.

The proposed fiscal 2011 capital budget includes $9.5 million in general obligation bonds to this program, of which $4.6 million is designated to replace the bulk of the transfers.

Program Description: The Special Loan Programs provide preferred-interest-rate loans and grants to low- and moderate-income families, sponsors of rental properties occupied primarily by limited income families, and nonprofit sponsors of housing facilities, including group homes. Funds may be used to provide loans to acquire and rehabilitate existing residential properties for group homes or shelters; to eliminate property health, safety, and maintenance deficiencies; and to ensure compliance with applicable housing codes and standards.

The Special Loan Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments.

Location of Provision(s) in the Bill: Sections 11 and 13 (pp. 26 and 30)

Analysis prepared by: Flora Arabo

Community Legacy Financial Assistance Fund

Provision in the Bill: Authorizes the transfer of $449,373 from the Community Legacy Financial Assistance Fund to the general fund by June 30, 2010.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$449,373	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $449,373 in fiscal 2010. Future years are not affected. Following the transfer, the remaining balance in the Community Legacy Financial Assistance Fund will be $605 at the close of fiscal 2010.

The proposed fiscal 2011 capital budget includes $4.6 million in general obligation bonds for this program, of which $396,000 is designated to replace most of the transferred amount.

Program Description: The Community Legacy Program provides funding to local governments and community development organizations to assist in the revitalization of neighborhoods that are at risk of physical, economic, or social deterioration but are also in the process of launching a revitalization strategy that will reposition the community for new private investment. Funds may be used for capital improvements such as streetscapes, recreational amenities, improvement of community gathering places, as well as other projects. Although the program does loan funds to recipients, the majority of funds are awarded as grants. As such, loan repayments are minimal and the program relies heavily on State funds.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Flora Arabo

Homeownership Programs Fund

Provisions in the Bill: Authorize transfers from the Homeownership Programs Fund to the general fund of $92,040 by June 30, 2010, and $3,000,000 by June 30, 2011.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfers

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$92,040	$3,000,000	$0	$0	$0	$0
SF Exp	0	(3,000,000)	0	0	0	0

State Effect: General fund revenues increase by $92,040 in fiscal 2010 and $3.0 million in fiscal 2011 due to the transfers. Future years are not affected. The fiscal 2010 transfer of $92,040 represents the savings generated from State employee furloughs. Following the transfers, the remaining balance in the Homeownership Programs Fund will be $1.9 million at the close of fiscal 2010 and $12,670 at the close of fiscal 2011. The depleted fund balance will eliminate the possibility of fiscal 2011 special fund expenditures from the Homeownership Programs Fund.

The proposed fiscal 2011 capital budget includes $8.5 million in general obligation bonds for this program, of which $3.0 million is designated to replace the transfers.

Program Description: The Homeownership Programs provide below-market interest rate mortgage loans to first-time homebuyers who lack the resources to purchase a home. The programs provide funds for down payment and settlement expenses and direct loans to households for the purchase of a home to encourage affordable homeownership opportunities.

The Homeownership Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments.

Recent History: Declining loan repayments have reduced the program's activity levels and fund balance in recent years.

Location of Provision(s) in the Bill: Sections 11 and 13 (pp. 28 and 30)

Analysis prepared by: Flora Arabo

Rental Housing Programs Fund

Provision in the Bill: Authorizes the transfer of $87,758 from the Rental Housing Programs Fund to the general fund by June 30, 2010.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Rev	$87,758	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $87,758 in fiscal 2010. Future years are not affected. Following the transfer, the remaining balance in the Rental Housing Programs Fund will be $4.3 million at the close of fiscal 2010. The transfer represents the special fund savings generated from State employee furloughs.

Program Description: The Rental Housing Program provides low-interest or deferred-payment loans to housing developers for the financing of affordable rental housing developments. The goal of the programs is to rehabilitate and create new affordable rental housing for low- and moderate-income households.

The Rental Housing Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments.

Recent History: Although the program has a small allocation of general obligation (GO) bonds in the fiscal 2010 working appropriation, GO has been eliminated from the fiscal 2011 budget due to complications in using tax-exempt debt to finance construction deals.

Location of Provision(s) in the Bill: Section 11 (p. 28)

Analysis prepared by: Flora Arabo

Partnership Rental Housing Fund

Provision in the Bill: Authorizes the transfer of $87,758 from the Partnership Rental Housing Fund to the general fund by June 30, 2010.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Rev	$87,758	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $87,758 in fiscal 2010 due to the transfer. Future years are not affected. Following the transfer, the remaining balance in the Partnership Rental Housing Fund will be $2.0 million at the close of fiscal 2010. The transfer represents the special fund savings generated from State employee furloughs.

Program Description: The Partnership Rental Housing Program provides deferred payment loans to local governments to construct or rehabilitate rental housing to be occupied by households with incomes of 50% of the statewide median income or less. Repayment is not required so long as the local government continues to own and lease the housing to income eligible households.

Location of Provision(s) in the Bill: Section 11 (p. 28)

Analysis prepared by: Flora Arabo

State Department of Assessments and Taxation Special Administrative Fund

Provision in the Bill: Authorizes the transfer of $3,000,000 from a State Department of Assessments and Taxation (SDAT) special administrative fund to the general fund by June 30, 2010.

Agency: State Department of Assessments and Taxation

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$3.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $3.0 million in fiscal 2010 due to the transfer. Future years are not affected. The fund consists of a $2.9 million beginning fund balance for fiscal 2010, $4.7 million in expedited service fees, and $19,818 in ground rent registrations. Expenditures for fiscal 2010, prior to the $3.0 million fund transfer, are estimated at $4.6 million. There will be no fund balance remaining after the transfer.

Program Description: Revenues credited to the special administrative fund are primarily generated from a 24-hour expedited service processing and recordation fee for corporate filings. The revenues support the operations of SDAT's Charter Unit, which acts as the central repository of all records of business entity formation and filings.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of $435,721 from the special administrative fund to the general fund for fiscal 2009.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Michael Sanelli

Insurance Regulation Fund

Provision in the Bill: Authorizes the transfer of $2,000,000 from the Insurance Regulation Fund to the general fund by June 30, 2010.

Agency: Maryland Insurance Administration

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$2.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.0 million in fiscal 2010 due to the transfer. Future years are not affected. The transfer will reduce the estimated fiscal 2010 ending balance from $3.5 million to $1.5 million. The Maryland Insurance Administration (MIA) is required to maintain a 5% reserve in the Insurance Regulation Fund, which amounts to $1.3 million in fiscal 2010.

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

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $2.0 million and the Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $1.6 million from the Insurance Regulation Fund to the general fund in fiscal 2002 and 2009, respectively.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Steven D. McCulloch

Vehicle Theft Prevention Fund

Provision in the Bill: Authorizes the transfer of $1,824,924 from the Vehicle Theft Prevention Fund to the general fund by June 30, 2010.

Agency: Department of State Police

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.8	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.8 million in fiscal 2010 due to the transfer. Future years are not affected. Following the transfer, the balance in the fund will be nearly depleted.

Local Effect: Local governments are receiving less funding through vehicle theft prevention grants in fiscal 2010 so the funds can be transferred to the general fund.

Program Description: The Maryland Theft Prevention Council is 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 fiscal 2010 budget approved by the General Assembly included $2.3 million for grants. The Board of Public Works reduced this amount by $873,166. This action transfers the special fund savings resulting from the board's reduction as well as an additional $951,758 from fund balance to the general fund.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Chantelle M. Green

Community Health Resources Commission Fund

Provision in the Bill: Authorizes the transfer of $1,800,000 from the Maryland Community Health Resources Commission (MCHRC) Fund to the general fund by June 30, 2010.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.8	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.8 million in fiscal 2010 due to the fund balance transfer. Following the transfer, the ending fiscal 2010 fund balance for the MCHRC Fund will be approximately $211,949. The commission indicates that it has approximately $900,000 in outstanding grant obligations for fiscal 2011 that could be affected by the transfer.

Program Description: 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 MCHRC Fund receives a portion of the premium tax exemption subsidy provided by CareFirst. The fund is used to award grants and provide community assessments. Through community assessments the commission helps communities develop more coordinated, integrated systems of community-based care, redirect nonemergency care from emergency rooms to other health care providers, and assist individuals in establishing medical homes.

Recent History: The Budget Reconciliation and Financing Act of 2009 authorized the transfer of $12.1 million from the Maryland Community Health Resources Commission Fund to the general fund.

Location of Provision(s) in the Bill: Section 11 (p. 26)

Analysis prepared by: Erin McMullen

Spinal Cord Injury Research Trust Fund

Provision in the Bill: Authorizes the transfer of $1,559,000 from the Spinal Cord Injury Research Trust Fund to the general fund by June 30, 2010. In addition the bill authorizes the transfer of $500,000 from the trust fund to the general fund by June 30, 2011.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfers

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.6	$0.5	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.6 million in fiscal 2010 and by an additional $500,000 in fiscal 2011 due to the fund balance transfers. Following the transfers, the fund balance for the Spinal Cord Injury Research Trust Fund will be depleted.

Program Description: The State Board of Spinal Cord Injury Research was established in 2000 and awards grants from the Spinal Cord Injury Research Trust Fund. Grants are for spinal cord injury research that is focused on basic, preclinical, and clinical research for the development of new therapies to restore neurological function in individuals with spinal cord injuries. The fund receives $500,000 annually from the insurance premium tax.

Recent History: Due to a lack of funding, the board did not meet from October 2004 to July 2006. At that time the board resumed its work of reviewing grant applications for spinal cord research.

Location of Provision(s) in the Bill: Sections 11 and 13 (pp. 26 and 30)

Analysis prepared by: Erin McMullen

State Health Occupations Boards

Provision in the Bill: Authorizes the transfer to the general fund of $1,222,476 in fiscal 2010 and $1,300,000 in fiscal 2011 from various health occupations boards.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfers

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$1.2	$1.3	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.2 million in fiscal 2010 and $1.3 million in fiscal 2011 due to the transfers. Future years are not affected. The fiscal 2010 transfers represent the boards' contributions to the statewide furlough and the resulting reductions to general operating expenses. As shown in **Exhibit 3**, all of the boards, except the State Board of Dietetic Practice, are expected to have positive fund balances at the end of fiscal 2010 and 2011.

Exhibit 3
Health Occupations Boards Transfers and Projected End-of-year Balances
Fiscal 2010 and 2011

	Fiscal 2010		**Fiscal 2011**	
Board	**Transfer**	**Ending Balance**	**Transfer**	**Ending Balance**
Physicians	$527,619	$3,743,344	$1,000,000	$2,623,852
Nursing	305,549	1,525,892		1,710,939
Pharmacy	98,544	901,977	200,000	811,208
Dental	73,530	535,696		228,727
Social Work Examiners	52,097	143,285		141,177
Chiropractic	36,128	284,092		263,822
Psychologists	23,718	276,394	50,000	203,474
Professional Counselors	22,013	330,492	50,000	193,789
Physical Therapy	17,567	385,679		321,947
Audiologists	13,698	352,124		111,644
Occupational Therapy	11,923	58,143		141,548
Optometry	9,837	68,571		237,955
Acupuncture	9,666	40,986		55,801
Morticians	9,566	177,066		101,229
Podiatric	7,283	104,677		104,295
Dietetic	3,738	(3,690)		1,387

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

Recent History: Chapter 487 of 2009 authorized transfers to the general fund of $3,200,000 from the Board of Physicians Fund and $5,000,000 from the Board of Nursing Fund in fiscal 2009.

Location of Provision(s) in the Bill: Section 11 (pp. 27-29) and 13 (pp. 30-31)

Analysis prepared by: Erin M. Dorrien

Maryland Health Care Commission Fund

Provision in the Bill: Authorizes the transfer of $472,026 from the Maryland Health Care Commission Fund to the general fund in fiscal 2010.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$472,026	$0	$0	$0	$0	$0

State Effect: General fund revenue increases by $472,026 in fiscal 2010 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.

Recent History: Chapter 487 of 2009 authorized the transfer of $2.0 million from the Maryland Health Care Commission Fund to the general fund in fiscal 2009.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Katie K. Wunderlich

Kidney Disease Fund

Provision in the Bill: Authorizes the transfer of $4,092 from the Kidney Disease Fund to the general fund by June 30, 2010.

Agency: Department of Health and Mental Hygiene.

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Rev	$4,092	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $4,092 in fiscal 2010 due to the transfer. Future years are not affected. The transfer represents the board's contribution to the statewide furlough and the resulting reduction to general operating expenses for the boards. The transfer will leave $91,523 in the Kidney Disease Fund.

Program Description: The Kidney Disease Fund, a special fund supported by revenues generated by the certification of dialysis and transplant centers in the State, supports the work of the State Commission on Kidney Disease. The commission regulates the practice of dialysis and transplantation in the State.

Location of Provision(s) in the Bill: Section 11 (p. 29)

Analysis prepared by: Sarah Volker

Racing Revenues Special Fund

Provision in the Bill: Authorizes a transfer of $602,800 from the racing revenues special fund to the general fund by June 30, 2010.

Agency: Department of Labor, Licensing, and Regulation

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$602,800	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $602,800 in fiscal 2010. Future years are not affected. The fund balance as of February 2010 is $1.2 million.

Local Effect: Local governments are receiving less horse racing impact aid in fiscal 2010 so the funds can be transferred to the general fund. The affected jurisdictions and related revenue declines are as follows:

- Anne Arundel – $172,500
- Baltimore County – $25,000
- Howard County – $43,125
- Prince George's County – $50,000
- Baltimore City – $277,200
- Bowie – $9,100
- Laurel – $25,875

Program Description: The racing revenues special fund is supported with horse racing wagering taxes and uncashed pari-mutuel tickets. The funds provide horse racing impact aid to those counties and municipalities that contain or are located near thoroughbred racetracks. Grants are also provided to Prince George's and Baltimore counties to replace revenues formerly received from racing at Bowie, Upper Marlboro, and Timonium racetracks.

Recent History: The fiscal 2010 budget approved by the General Assembly included $1,205,600 in impact aid. The Board of Public Works reduced this amount by half during 2009 cost containment actions. This action transfers the special fund savings resulting from the board's reduction to the general fund.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Jody Sprinkle

Maryland Correctional Enterprises Revolving Fund

Provision in the Bill: Authorizes the transfer of $500,000 from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2010.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$500,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $500,000 in fiscal 2010. Future years are not affected. After the transfer, the remaining fund balance will be approximately $1.0 million.

Program Description: Maryland Correctional Enterprises (MCE) is the prison industry component of the Division of Correction. MCE is solely supported with special funds, maintaining a self-supporting status by providing an array of services and manufacturing a variety of products through the use of inmate labor. MCE's customer base includes the State, local governments, and nonprofit organizations.

Recent History: In fiscal 2009, MCE had unaudited revenues of $52.9 million and employed 2,000 inmate workers. Fiscal 2009 expenditures totaled $53.1 million.

Location of Provision(s) in the Bill: Section 11 (p. 27)

Analysis prepared by: Rebecca J. Ruff

Central Collection Fund

Provisions in the Bill: Authorize the transfer of $500,000 from the Central Collection Fund (CCF) to the general fund by June 30, 2010, and repeal an automatic transfer to the general fund of any balance in CCF that exceeds 10% of the operating costs for the Central Collection Unit (CCU). The automatic transfer was set to begin in fiscal 2011.

Agency: Department of Budget and Management

Type of Action: Fund balance transfer; elimination of fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$0.5	($22.4)	($0.7)	($6.5)	($7.4)	($10.1)

State Effect: General fund revenues increase by $500,000 in fiscal 2010 due to the transfer. The removal of the sweeper provision, however, reduces fiscal 2011 revenues by approximately $22.4 million due to the relatively large CCF fund balance that will not be transferred to the general fund.

In future years, general fund revenues from CCF will decline by an estimated $680,300 in fiscal 2012, $6.5 million in fiscal 2013, $7.4 million in fiscal 2014, and $10.1 million in fiscal 2015 due to the elimination of the required end-of-year transfer. These estimates assume 3% annual growth in general CCU operating costs and CCF revenues, as well as additional expenditures for the CCU computer modernization project, which would have been obligated before the sweeper would have been applied, in fiscal 2012 to 2014.

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

Recent History: The CCF sweeper provision was enacted by Chapter 487 of 2009. No funds have been credited to the general fund through its operation because the first transfer was set to take place at the end of fiscal 2011. Prior to the 2009 session, legislation has been required to transfer funds from the CCF balance to the general fund. This was the case in 2004, 2008, and 2009.

Location of Provision(s) in the Bill: Sections 3 and 11 (pp. 20-21 and 27)

Analysis prepared by: Dylan R. Baker

State Chemist Reserve Account

Provision in the Bill: Authorizes the transfer of $150,000 from the State Chemist Reserve Account to the general fund in fiscal 2010.

Agency: Maryland Department of Agriculture

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$150,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $150,000 in fiscal 2010 due to the transfer. Future years are not affected. Following the transfer, the account balance will be an estimated $45,000 at the end of fiscal 2010.

Program Description: The State Chemist Reserve Account consists primarily of registration and inspection fees associated with the regulation of pesticides, commercial feed, commercial fertilizer/soil conditioner, agricultural liming materials, and gypsum. Fee revenues fund the operations of the State Chemist and a portion of the department's activities related to the regulation of pesticides. Excess fee revenue at the end of a fiscal year is retained in the account.

Location of Provision(s) in the Bill: Section 11 (p. 28)

Analysis prepared by: Scott Kennedy

Special Fund Furlough Savings

Provision in the Bill: Authorizes the transfer of any special fund savings from the implementation of employee furloughs to the general fund by June 30, 2011. The provision affects any executive order issued on or after January 20, 2010.

Agency: All

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$0	$6.0	$0	$0	$0	$0

State Effect: General fund revenues increase by at least $6.0 million in fiscal 2011 due to the transfer of special fund furlough savings. The proposed fiscal 2011 State budget provides for the implementation of a furlough that will reduce total special fund salary appropriations by $18.4 million. Of that total, the budget specifically states that not less than $6.0 million of the savings resulting from the payment of reduced salaries in certain special funded agencies will be transferred to the general fund, contingent on the enactment of this provision in the bill. The remainder of the special fund savings may remain in the originating special funds.

Applying this provision retroactively has negligible fiscal impact. The provision was included because the last pay period in fiscal 2010 ends on June 29, 2010, and a new pay period begins on June 30, 2010. This leaves one day of fiscal 2010 under the fiscal 2010 furlough plan, with the rest of the pay period falling under the fiscal 2011 plan. So as not to have two different calculations for the same pay period, or cause confusion over which basis is used for the furloughs during that overlapping period, the fiscal 2011 furlough plan will become effective June 30, 2010, according to a forthcoming executive order.

Program Description: State agencies will implement a furlough program in fiscal 2011 according to a schedule yet to be detailed by the Administration. The budget bill furlough reduction decreases salaries by $58.3 million in general funds and $18.4 million in special funds.

Location of Provision(s) in the Bill: Sections 35 and 42 (pp. 39 and 41)

Analysis prepared by: Dylan R. Baker

Fiscal 2010 Corporate Income Tax

Provision in the Bill: Mandates that the first $129,000,000 of fiscal 2010 corporate income tax revenues be credited entirely to the general fund.

Agency: Comptroller's Office

Type of Action: Dedicated revenue relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$34.0	$0	$0	$0	$0	$0
SF Rev	(34.0)	0	0	0	0	0

State Effect: General fund revenues increase by $34.0 in fiscal 2010 as a result of altering corporate income tax revenue distributions. Transportation Trust Fund (TTF) revenues decrease by $26.3 million and Higher Education Investment Fund (HEIF) revenues decrease by $7.7 million.

Local Effect: As a result of the elimination of dedicated TTF revenues on the first $129.0 million in corporate income taxes collected in fiscal 2010, local highway user revenues decrease by $7.9 million.

Program Description: In December 2008, Constellation Energy Group announced that it had reached an investment agreement with EDF Development Group, Inc. whereby the French utility would acquire certain nuclear assets of Constellation Energy Group. During the process of executing and receiving regulatory approval for this agreement, it was announced that Constellation would make a one-time $129.0 million payment of Maryland corporate income taxes related to the sale of assets in the transaction. This provision would credit an equivalent amount of fiscal 2010 corporate income tax revenues directly to the general fund.

In fiscal 2010, corporate income tax revenues are distributed to the general fund (73.636%), TTF (20.364%), and HEIF (6%). HEIF is due to expire at the end of fiscal 2010.

Location of Provision(s) in the Bill: Section 23 (p. 32)

Analysis prepared by: Robert J. Rehrmann

Special Fund Interest

Provision in the Bill: Credits all interest earned on special funds of the State to the general fund in fiscal 2010 and 2011, except for special funds and accounts that are specifically identified and exempted from the requirement.

Agencies: Multiple

Type of Action: Dedicated revenue relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$11.9	$11.0	$0	$0	$0	$0
SF Rev	(11.9)	(11.0)	0	0	0	0

State Effect: General fund revenues increase by an estimated $11.9 million in fiscal 2010 and $11.0 million in 2011 due to the crediting of special fund interest to the general fund. Special fund revenues decrease by equal amounts due to the loss of interest that would normally accrue to the individual funds and accounts. The provision has no impact after fiscal 2011.

Program Description: There are approximately 190 State accounts that accrue interest, and 85 to 90 of these accounts are not exempted from this provision. In the first half of fiscal 2010, interest on the nonexempted accounts totaled $7.7 million, although the amount of interest income declined each month during the six months. The Transportation Trust Fund is the largest fund included in the provision and contributed $2.1 million of the $7.7 million in accrued interest during this time period. Other larger special funds that would contribute interest include the Real Property Records Improvement Fund (which earned $684,000 of the $7.7 million from the first half of fiscal 2010); the Maryland Economic Development Assistance Authority Fund ($570,000); the 9-1-1 Trust Fund ($513,000); the Strategic Energy Investment Fund ($492,000); and the Cigarette Restitution Fund ($350,000).

The proposed fiscal 2011 State budget assumes revenues of $10.0 million in fiscal 2010 and $11.0 million in fiscal 2011 from this provision. The $10.0 million appears to be easily obtainable, but with several large fund balance transfers also occurring in fiscal 2010, the $11.0 million in fiscal 2011 may be more difficult to achieve.

Location of Provision(s) in the Bill: Section 28 (pp. 33-36)

Analysis prepared by: Mark W. Collins

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provision in the Bill: Redirects $8,000,000 of the revenues from the sales and use tax on short-term vehicle rentals from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund for fiscal 2010. In addition, the bill redirects $5,000,000 of the motor fuel tax revenues and $17,101,428 of the revenues from the sales and use tax on short-term vehicle rentals from the trust fund to the general fund for fiscal 2011.

Agency: Department of Natural Resources

Type of Action: Dedicated revenue relief

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$8.0	$22.1	$0	$0	$0	$0
SF Rev	(8.0)	(22.1)	0	0	0	0
SF Exp	0	(22.1)	0	0	0	0

State Effect: General fund revenues increase by $8.0 million and special fund revenues decrease by $8.0 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. In fiscal 2011, general fund revenues increase by $22.1 million, with a corresponding decrease in special fund revenues and expenditures. The proposed fiscal 2011 State budget includes $42.1 million for the trust fund, but that amount is reduced by $22.1 million contingent on the enactment of legislation to allocate the trust fund revenue to the general fund. Future years are not affected.

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

Program Description: Chapter 6 of the 2007 special session established the Chesapeake Bay 2010 Trust Fund and provided 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 to the trust fund. The trust fund was expanded and renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund by Chapters 120 and 121 of 2008, which, among other things, required that the trust fund be used for nonpoint source pollution control projects. The BayStat Subcabinet administers the trust fund.

Recent History: Chapter 487 of 2009 reduced fiscal 2010 funding for the trust fund from $31.5 million to $10.0 million, and the Board of Public Works further reduced the budgeted amount to $8.0 million in July 2009.

Location of Provision(s) in the Bill: Sections 5 and 6 (pp. 23-24)

Analysis prepared by: Andrew Gray

Electronic Bingo and Tip Jars

Provision in the Bill: Requires 100% of admissions and amusement taxes imposed on electronic bingo and tip jar machines to be distributed to the general fund in fiscal 2010. In fiscal 2011, $1,000,000 is dedicated to the Special Fund for Preservation of Cultural Arts in Maryland and the remaining amount is credited to the general fund.

Agency: Comptroller's Office

Type of Action: Dedicated revenue relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$3.4	$2.4	$0	$0	$0	$0
SF Rev	(3.4)	(2.4)	0	0	0	0

State Effect: General fund revenues increase by $3.4 million in fiscal 2010 and by $2.4 million in fiscal 2011, with corresponding decreases in revenues for the Special Fund for Preservation of Cultural Arts in Maryland.

Program Description: Chapter 661 of 2009 increased the State admissions and amusements tax rate on the net proceeds from electronic bingo and tip jar machines from 20% to 30%. The rate of the State tax, when combined with any local tax rate, may not exceed 35% of net proceeds. The revenue attributable to a tax rate of 20% is distributed to the general fund, while the revenue attributable to the rate increase is distributed to the Special Fund for Preservation of Cultural Arts in Maryland. The bill alters the distribution of these tax revenues for fiscal 2010 and 2011 to provide greater support for the general fund.

Location of Provision(s) in the Bill: Section 4 (pp. 21-22)

Analysis prepared by: Robert J. Rehrmann

Traffic Ticket Surcharge Revenues

Provision in the Bill: Requires 100% of the revenues generated from a $7.50 surcharge for certain traffic convictions to be distributed to the general fund in fiscal 2010 through 2012. State law currently requires this funding to be credited to the State Police Helicopter Replacement Fund (SPHRF) and the Volunteer Company Assistance Fund (VCAF).

Agencies: Department of State Police, Military Department, and Maryland State Firemen's Association

Type of Action: Dedicated revenue relief

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$2.0	$2.0	$2.0	$0	$0	$0
SF Rev	($2.0)	($2.0)	($2.0)	0	0	0

State Effect: General funds revenues would increase by $2 million annually in fiscal 2010 through 2012. Special fund revenues would decline by this amount during the same time period.

Local Effect: Local volunteer fire and rescue companies would be impacted if fewer grants and loans are made available due to the reduction in surcharge revenues.

Program Description: Chapter 416 of 2006 established the SPHRF for the procurement of new helicopters, auxiliary helicopter equipment, ground support equipment, and other capital equipment. Chapter 416 also required that half of the surcharges on traffic convictions be allocated to the SPHRF and half to the VCAF.

Chapter 240 of 2000 established the VCAF, which is administered by the Maryland State Firemen's Association and the Military Department. The purpose of VCAF is to provide grants and loans to volunteer fire, rescue, and ambulance companies for the purchase, replacement, or improvement of firefighting and rescue equipment or facilities.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of $52.7 million from SPHRF to the general fund.

Location of Provision(s) in the Bill: Section 2 (p. 8)

Analysis prepared by: Chantelle M. Green

Maryland-mined Coal Tax Credits

Provision in the Bill: Accelerates the termination dates for the Maryland-mined coal tax credits from tax year 2021 to tax year 2010.

Agency: State Department of Assessments and Taxation

Type of Action: Revenue enhancement

Fiscal Impact:	*($ in millions)* FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Rev	$0	$4.5	$4.5	$4.5	$6.0	$6.0

State Effect: General fund revenues increase by $4.5 million in fiscal 2011. 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 $43.5 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 through tax year 2020. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced these amounts in tax year 2009 to 2012, and as a result, the maximum that can be claimed in each year is $4.5 million annually in tax years 2010 to 2012, $6.0 million annually in tax years 2013 to 2014, and $3.0 million annually in tax years 2015 to 2020. The credit is scheduled to terminate after 2020.

Location of Provision(s) in the Bill: Section 10 (p. 25)

Analysis prepared by: Robert J. Rehrmann

Abandoned Property Notification Procedures

Provision in the Bill: Repeals a requirement that the Comptroller publish notice of abandoned property accounts in local newspapers of general circulation. The Comptroller's Office is instead required to maintain an abandoned property database and publish notification of abandoned property accounts on an Internet web site. The Comptroller must publish notice of the web site at least once each quarter in local newspapers of general circulation.

Agency: Comptroller' Office

Type of Action: Efficiency; revenue enhancement

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$0	$512,000	$512,000	$512,000	$512,000	$512,000
SF Exp	0	(512,000)	(512,000)	(512,000)	(512,000)	(512,000)

State Effect: Beginning in fiscal 2011, special fund expenditures decrease by $512,000 annually due to the modification of the newspaper advertising requirement. The proposed fiscal 2011 State budget includes a $512,000 special fund expenditure decrease contingent on the enactment of legislation to repeal the current notification procedures for abandoned property. It is anticipated that general fund revenues will increase by a corresponding dollar amount when, as required by statute, the special fund balance is transferred to the general fund at year-end.

Program Description: The Comptroller's Office is required to publish the names of newly reported owners of property presumed abandoned within 365 days of the filing of the report by the holder of the abandoned property, if the property has a value of at least $100. Notice of property valued at $100 or less is not required to be published unless the Comptroller's Office considers publication to be in the public interest.

Location of Provision(s) in the Bill: Section 1 (pp. 5-8)

Analysis prepared by: Chantelle M. Green

Telecommunication Litigation Recoveries

Provision in the Bill: Credits to the general fund all moneys received from May 1, 2010, through the end of fiscal 2012 as commissions, rebates, refunds, rate reductions, settlements, or telecommunications bypass agreements resulting from information technology services or purchases.

Agency: Department of Information Technology

Type of Action: Dedicated revenue relief

Fiscal Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	increase	increase	increase	$0	$0	$0
SF Rev	decrease	decrease	decrease	0	0	0

State Effect: General fund revenues increase in fiscal 2010 to 2012 due to the crediting of potential telecommunications recoveries to the general fund rather than the Major Information Technology Development Fund. The provision has no impact after fiscal 2012.

Program Description: The proposed fiscal 2011 State budget includes $300,000 in litigation expenses for the Department of Information Technology to pursue legal action against three telecommunications companies to recover overpayments that occurred in four separate contracts between 1997 and 2009. The overpayments from three contracts have been estimated at $19.5 million, and overpayments from the fourth contract have not yet been estimated.

The proposed fiscal 2011 State budget assumes $15.0 million in general fund revenues from this provision. The estimate is based on an assumption that Maryland will be able to settle with the telecommunications vendors in fiscal 2011. It is not uncommon, however, for litigation in this field to take several years. By way of comparison, a similar cost recovery exercise, which resulted in recovery of about $10.0 million in fiscal 2007, took three years even though it was ultimately settled without litigation.

Under current law, funds received from commissions, rebates, refunds, rate reductions, settlements, or telecommunications bypass agreements resulting from information technology services or purchases are deposited in the Major Information Technology Development Fund. The fund supports information technology projects for State government. In past years, the amount the fund has received from litigation recoveries and settlements has been minimal. If settlements cannot be reached against the telecommunications companies, it is likely that this provision will have very little impact.

Location of Provision(s) in the Bill: Section 22 (p. 32)

Analysis prepared by: Mark W. Collins

Program Open Space

Provisions in the Bill: Authorize fiscal 2010 and 2011 transfers to the general fund of transfer tax revenues.

In fiscal 2010, $153,073,000 of unexpended funds from certain programs supported by the transfer tax may be transferred to the general fund. The unexpended funds are transferred from the Program Open Space (POS) local share ($103,113,000), POS Capital Development ($22,700,000), the Rural Legacy Program ($10,635,000), the Maryland Agricultural Land Preservation Foundation ($10,000,000), POS State land acquisition ($4,567,000), and POS Capital Development – Ocean City Beach Replenishment ($2,058,000). The transfer may not be taken into account for purposes of determining any allocation or appropriation required for the State transfer tax.

Also for fiscal 2010, the bill authorizes the transfer of $4,459,496 of POS State land acquisition funding to the general fund. This represents the final component of a provision in the Budget Reconciliation and Financing Act of 2009 that authorized the transfer of up to $70,000,000 to the general fund. The transfer may not be taken into account for purposes of determining any allocation or appropriation required for the State transfer tax.

Finally, the bill authorizes the transfer of $54,035,000 in fiscal 2011 transfer tax revenues to the general fund. The affected programs include POS State land acquisition ($13,082,000), POS local share ($12,352,000), the Rural Legacy Program ($12,637,000), POS Capital Improvements ($4,150,000), and the Maryland Agricultural Land Preservation Foundation ($11,814,000). The fiscal 2011 proposed transfer is contingent upon the enactment of legislation authorizing the creation of an equivalent amount of general obligation (GO) debt for the affected programs.

Agencies: Department of Natural Resources and Maryland Department of Agriculture

Type of Action: Fund balance transfers; fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$157.5	$54.0	$0	$0	$0	$0
SF Exp	0	(54.0)	0	0	0	0
GO Bond Exp	0	54.0	0	0	0	0

State Effect: General fund revenues increase by $157.5 million in fiscal 2010 due to the $153.1 million fund balance transfer and the additional transfer of $4.4 million.

In fiscal 2011, general fund revenues increase by $54.0 million due to the crediting of transfer tax revenues to the general fund. Special fund expenditures decrease correspondingly; the proposed fiscal 2011 State budget reduces the special fund appropriations for affected programs by $54.0 million, contingent upon the enactment of this bill. GO bond expenditures increase by the same amount ($54.0 million) in fiscal 2011, contingent upon the 2010 capital budget bill (HB 152 and SB 142) authorizing the debt. The $54.0 million in bond expenditures replaces the $54.0 million in fiscal 2011 transfer tax revenues transferred by this bill. Future years are not affected.

Local Effect: The unexpended fund balance transfer of $153.1 million for fiscal 2010 includes $103.1 million in POS local share funding. Thus, local POS revenues could decrease as a result of that transfer; however, the 2010 capital budget bill includes $41.8 million in bonds to partially replace the local share, and the capital plan shows the remaining funds being replaced in fiscal 2012 and 2013. In contrast, the unexpended balance transfer of $12.4 million in POS local share funding for fiscal 2011 is replaced with an equal amount of GO bond funding and thus does not have an impact on local finances.

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

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

Recent History: State transfer tax revenues were directed to the general fund between fiscal 2003 and 2006. However, a portion of the amount directed to the general fund was replaced with GO bond authorizations.

More recently, State transfer tax revenues of $172.3 million were redirected to the general fund during the 2009 legislative session: $70.0 million in POS State land acquisition unencumbered funds, $71.3 million in fiscal 2009 POS State land acquisition funding, and $31.0 million in fiscal 2010 transfer tax revenues funding Rural Legacy ($11,812,252); POS Capital Improvements ($6,159,107); and the Maryland Agricultural Land Preservation Foundation ($12,999,780). All but the $70.0 million in POS State land acquisition unencumbered funds were replaced with GO bond authorizations. Instead, separate legislation authorized the issuance of $70.0 million in POS revenue bonds for which debt service is paid from the State transfer tax.

The Governor's proposed fiscal 2011 capital budget replaces all proposed fiscal 2011 transfers. In addition, the Governor's proposed fiscal 2011 capital budget and the 2010 *Capital Improvement Program* phase in (between fiscal 2011 and 2013) the replacement of all proposed fiscal 2010 transfers except for the $4,459,496 transfer from POS – stateside and a portion of the POS – Capital Development transfer.

Location of Provision(s) in the Bill: Sections 12, 14, and 21 (pp. 29-32)

Analysis prepared by: Matt Klein and Andrew Gray

Senior Prescription Drug Assistance Program and the Kidney Disease Program

Provisions in the Bill: Authorize the transfer of $3,000,000 in fiscal 2010 from the Senior Prescription Drug Assistance Program (SPDAP) to the Medical Assistance Program (Medicaid), and authorize transfers of $10,500,000 in fiscal 2010 and $1,500,000 in fiscal 2011 from SPDAP to the Kidney Disease Program.

Separate provisions require that a portion of the premium tax exemption subsidy provided by CareFirst be used to subsidize the Kidney Disease Program rather than the Maryland Pharmacy Discount Program and limit the subsidy amount provided to the Community Health Resources Commission (CHRC) to $3,000,000 annually beginning in fiscal 2011. The subsidy provided to the Kidney Disease Program must equal the value of the premium tax exemption minus the subsidies provided to SPDAP and CHRC. The provision also authorizes the transfer of any subsidy amount not spent by the Kidney Disease Program to CHRC beginning in fiscal 2011.

Agencies: Maryland Health Insurance Plan and Department of Health and Mental Hygiene

Type of Action: Fund swaps; special fund mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	($13.3)	($12.0)	($10.5)	($10.5)	($10.5)	($10.5)
SF Exp	13.5	1.5	0	0	0	0

State Effect: General fund expenditures decrease by a total of $13.3 million in fiscal 2010 and are replaced by $13.5 million in special fund expenditures. The fund swaps include the transfer of $3.0 million from SPDAP to Medicaid and $10.5 million from SPDAP to the Kidney Disease Program. Both special fund expenditures are contingent on authorizing legislation. The $10.5 million transfer to the Kidney Disease Program will also effectuate a $10.3 million contingent general fund reduction in the proposed fiscal 2011 State budget for the program. The $3.0 million transfer to Medicaid will pay for costs that would otherwise be paid with general funds. The transfers will leave $4.0 million in the SDPAP fund balance in fiscal 2010 and $2.5 million in the fiscal 2011 balance and will not affect the operations of the program.

Beginning in fiscal 2011, the Kidney Disease Program will be supported with an additional $1.5 million transferred from SPDAP and $10.5 million in special funds from the subsidies provided by CareFirst that will be redirected from CHRC to the program. The proposed fiscal 2011 State budget includes a $12.0 million special fund appropriation for the Kidney Disease Program that is contingent on legislation allowing the CareFirst subsidy to be used for the program.

In fiscal 2012 and future years, an estimated $10.5 million in redirected special funds will replace general fund expenditures for the Kidney Disease Program.

Program Descriptions: CareFirst, as a condition of its exemption from the insurance premium tax, is required to subsidize SPDAP, the Maryland Pharmacy Discount Program (no longer in existence), and CHRC. In fiscal 2010, the CareFirst premium exemption subsidy is supporting SPDAP ($14.0 million), CHRC ($3.0 million), and the Primary Adult Care (PAC) Program ($9.1 million). Funding for PAC is for fiscal 2010 only and is the result of alterations made to the subsidy in the Budget Reconciliation and Financing Act of 2009 (Chapter 487). The subsidy provided by CareFirst is expected to total $29.2 million in fiscal 2010 and $30.7 million in fiscal 2011.

The Kidney Disease Program provides coverage for kidney disease treatment for qualified individuals who elect to enroll in the program and agree to pay specified fees. In previous years, the program has been supported with mostly general funds.

SPDAP, overseen by the Maryland Health Insurance Plan, provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. In addition to the subsidy from CareFirst for its insurance premium tax exemption, SPDAP also receives up to $4.0 million from CareFirst in years when CareFirst generates a surplus over a certain amount.

CHRC was established in 2005 to increase access to health care for lower-income individuals and to provide resources to community health resource centers. The commission awards grants and helps communities to develop more coordinated, integrated systems of community-based care, redirect nonemergency care from emergency rooms to other health care providers, and assist individuals in establishing medical homes.

Chapters 281 and 282 of 2005 repealed the Maryland Pharmacy Discount Program that provided drug discounts and subsidies for Medicare beneficiaries. The repeal was prompted by the passage of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

Location of Provision(s) in the Bill: Sections 3, 19, and 20 (pp. 18-20 and 32)

Analysis prepared by: Sarah Volker

Nursing Home Quality Assessment

Provision in the Bill: Increases the nursing home quality assessment from 2% to 4%, allows the State to supplant general fund support for nursing home reimbursements with up to 35% of the assessment revenue, and alters the distribution of assessment revenue that accrues to an incentive program.

Agency: Department of Health and Mental Hygiene

Type of Action: Special fund revenue enhancement; fund swaps

Fiscal			*($ in millions)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
SF Rev	$0.0	$44.0	$46.0	$48.0	$50.2	$52.5
FF Rev	0.0	27.0	28.2	29.5	30.8	32.2
GF Exp	0.0	(17.0)	(17.8)	(18.6)	(19.4)	(20.3)
SF Exp	0.0	44.0	46.0	48.0	50.2	52.5
FF Exp	0.0	27.0	28.2	29.5	30.8	32.2

State Effect: Special fund revenues increase by $44.0 million in fiscal 2011 due to the increase in the nursing home assessments. General fund expenditures decline by $17.0 million due to the use of $17.0 million in special fund revenue generated by the increased assessment to back-fill for a proposed fiscal 2011 general fund reduction in Medicaid that is contingent on the enactment of legislation increasing the nursing home quality assessment. The assessment revenue will also be used to hold harmless nursing facility providers serving Medicaid patients for the impact of the assessment ($15.0 million in fiscal 2011 special fund expenditures matched by $15.0 million in federal Medicaid funds), as well as to support the State share of an anticipated 2% rate increase in Medicaid reimbursement rates ($12.0 million in fiscal 2011 matched with $12.0 million in federal funds).

Future years assume 4.5% annual increases in revenues and expenditures.

Program Description: Chapter 503 of 2007 imposed the 2% nursing home quality assessment.

Recent History: In August 2009, the Board of Public Works reduced nursing home rates to 2% below fiscal 2009 rates. The proposed fiscal 2011 State budget contains no rate increase to nursing facilities in fiscal 2011 although a 2% rate increase is anticipated if the nursing home quality assessment increase is approved.

Location of Provision(s) in the Bill: Sections 3 and 37 (pp.17-18, and 39-40)

Analysis prepared by: Simon Powell

Cigarette Restitution Fund Mandates

Provisions in the Bill: Reduce mandated funding from the Cigarette Restitution Fund (CRF) for tobacco use prevention and cessation activities and Statewide Academic Health Center programs beginning in fiscal 2011.

Required CRF funding for tobacco use prevention and cessation activities decreases to $6,000,000 annually beginning in fiscal 2011. Currently, $7,000,000 must be devoted to these activities in fiscal 2011 and $21,000,000 must be spent annually for the activities in fiscal 2012 and beyond.

Mandated CRF funding for Statewide Academic Health Center grants is reduced to $2,400,000 in fiscal 2011 and 2012 and to $9,850,000 in all subsequent years. Currently, the required annual amounts are $9,850,000 in fiscal 2011 and $15,400,000 in subsequent years.

Agency: Department of Health and Mental Hygiene

Type of Action: Special fund mandate relief; fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($8.2)	($28.0)	($20.6)	($20.6)	($20.6)

State Effect: General fund expenditures decrease by $8.2 million in fiscal 2011 due to the use of CRF special funds to support programs that are otherwise supported with general funds in the Medicaid program. The general fund reduction is contingent on legislation relieving CRF of the required spending levels and authorizing the processing of budget amendments to use a total of $8.2 million from CRF for the Medicaid program. Although this bill reduces the prevention and cessation mandate to $6.0 million and the academic health centers mandate to $2.4 million, the fiscal 2011 budget proposed by the Governor leaves $6.2 million and $2.5 million, respectively, for the two programs.

The projected general fund expenditure decreases for fiscal 2012 and beyond are based on the assumption that the full reduction in CRF spending for mandated programs will be used to support programs that will otherwise be supported with general funds.

Local Effect: CRF funding for local tobacco use prevention and cessation programs decreases by $803,160 in fiscal 2011.

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

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

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 increases the rate at which cancer research translates into treatment protocols in the State.

Recent History: The statute mandating $21.0 million annually for the Tobacco Use Prevention and Cessation Programs was initially put in place by Chapter 203 of 2003. Chapter 487 of 2009 reduced the mandated funding level for fiscal 2010 and 2011 from $21.0 million to $7.0 million.

Chapter 487 also reduced the mandated funding level for Statewide Academic Health Centers for fiscal 2010 and 2011 from $15.4 million to $9.9 million.

Location of Provision(s) in the Bill: Section 3 (pp. 16-17)

Analysis prepared by: Katie K. Wunderlich

Local Income Tax Reserve Account and Education Trust Fund

Provision in the Bill: Requires the Comptroller's Office to transfer $350,000,000 from the Local Income Tax Reserve Account to the Education Trust Fund (ETF) by June 30, 2010. From fiscal 2014 to 2020, the State must pay $50,000,000 annually to the account to replenish the amount transferred.

Agencies: Comptroller's Office and Maryland State Department of Education

Type of Action: Fund balance transfer; fund swap

Fiscal			*($ in millions)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
SF Rev	$350.0	$0	$0	$0	$0	$0
GF Exp	0	(350.0)	0	0	50.0	50.0
SF Exp	0	350.0	0	0	0	0

State Effect: Special fund revenues for ETF increase by $350.0 million in fiscal 2010 due to the transfer. Special fund expenditures from ETF will then replace $350.0 million in general funds that have been budgeted for education in fiscal 2011. The resulting general fund reduction is contingent on legislation that allows the transfer from the Local Income Tax Reserve Account and authorizes the processing of a budget amendment to use $350.0 million from ETF to support education aid in fiscal 2011.

From fiscal 2014 to 2020, general fund expenditures of $50.0 million annually will replenish the reserve account over the course of seven years.

Program Description: The local income tax reserve account is used to manage the cash flow of personal income tax payments and distributions to local governments. It is also used to meet the State's liability for local income taxes according to generally accepted accounting principles. Each month a portion of personal income tax net receipts is put into the account representing an estimate of local income tax payments. In all but two months, a distribution of local income tax revenue is made from the account to local governments. The account balance fluctuates throughout the year bus was $1.3 billion at the end of January 2010. The transfer will not affect distributions to local governments.

ETF was established by Chapter 4 of the 2007 special session and consists of approximately 50% of the net revenues generated by video lottery terminals in the State. Funds in ETF may support the State's education aid formulas, public school construction, or public higher education construction, including community colleges. The proposed fiscal 2011 State budget includes $85.5 million from ETF revenues to be used to support the foundation program, the State's largest education aid program. If approved, the additional $350.0 million for ETF would likewise be spent in support of the $2.9 billion formula, replacing general funds currently budgeted for the program.

Recent History: Chapter 487 of 2009 transferred $366.8 million from the Local Income Tax Reserve Account to the general fund in fiscal 2009 to help balance the budget. Local governments are scheduled to repay the transferred amount over 10 years from fiscal 2013 to 2022.

Location of Provision(s) in the Bill: Sections 5 and 36 (pp. 22 and 39)

Analysis prepared by: Mark W. Collins

Aging Schools Program

Provision in the Bill: Authorizes general obligation (GO) bond funds to be used instead of general funds for the Aging Schools Program in fiscal 2011.

Agency: Interagency Committee for Public School Construction

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($6.1)	$0	$0	$0	$0
GO Bond Exp	0	6.1	0	0	0	0

State Effect: General fund expenditures for the Aging Schools Program decrease by $6.1 million in fiscal 2011 contingent on legislation reducing the required appropriation. The fiscal 2011 capital budget includes $6.1 million in GO bonds that would be used instead to fund the program.

Local Effect: None. State aid will be provided with GO bond funds rather than general funds.

Program Description: The Aging Schools Program provides funds to local school systems for improvements, repairs, and deferred maintenance in public school buildings. Eligible expenditures include asbestos and lead paint abatement; upgrade of fire protection systems and equipment; painting, plumbing, and roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring 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 local education agency 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. Chapter 487 of 2009 deleted fiscal 2010 general fund support for the program, but $6.1 million in GO bond funds was provided for the program through the capital budget. Chapter 487 of 2009 also set general funds at $6.1 million for fiscal 2011 and $10.4 million for fiscal 2012, and restarted annual inflation increases in fiscal 2013.

Location of Provision(s) in the Bill: Section 15 (pp. 31)

Analysis prepared by: Monica Kearns

State 9-1-1 Fee

Provision in the Bill: Authorizes the use of $5,000,000 in fiscal 2011 special fund revenue from the State portion of the 9-1-1 fee on wired lines for the Computer Aided Dispatch/Records Management System (CAD/RMS) project in the Maryland State Police (MSP).

Agencies: Department of Public Safety and Correctional Services and Maryland State Police

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($5.0)	$0	$0	$0	$0
SF Exp	0	5.0	0	0	0	0

State Effect: This action utilizes $5.0 million in special funds from the 9-1-1 Trust Fund to support implementation of the CAD/RMS project within MSP. The proposed fiscal 2011 State budget includes a $5.0 million general fund reduction contingent on the enactment of legislation to allow 9-1-1 funds to be used for the project. The fund transfer leaves a balance in the 9-1-1 Trust Fund of $4.5 million to support enhancements at Public Safety Answering Points throughout the State. A budget amendment will be required to appropriate the special funds in the MSP budget.

Program Description: The 9-1-1 Trust Fund includes revenue from both a State and local surcharge that is assessed per bill for wired and wireless service. Revenue from the State fee is distributed to the Maryland counties at the discretion of the Emergency Number Systems Board in response to county 9-1-1 system enhancement requests.

Recent History: This provision in the Budget Reconciliation and Financing Act is needed because of federal legislation enacted in 2008 prohibiting states from receiving any federal 9-1-1-related grant funding if 9-1-1 fee revenues were used for purposes other than those defined as an eligible expense in State and federal law. According to the federal legislation, eligible expenses for the 9-1-1 fees can include emergency services Internet protocol networks, which are defined as engineered, managed networks that are intended to be multi-purpose, supporting public safety communications services, in addition to 9-1-1. This provision identifies the CAD/RMS project as an eligible expense for use of 9-1-1 fee revenues.

Location of Provision(s) in the Bill: Section 16 (p.31)

Analysis prepared by: Rebecca J. Ruff

Oil Disaster Containment, Clean-Up and Contingency Fund

Provisions in the Bill: Authorize the transfer of $2,200,000 from the Oil Disaster Containment, Clean-Up and Contingency Fund to the general fund for fiscal 2010 and expand the authorized uses of the fund. Beginning in fiscal 2011, the fund may support expenses related to the Maryland Department of the Environment's (MDE) water pollution control programs.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer; fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$2.2	$0	$0	$0	$0	$0
GF Exp	0	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)

State Effect: General fund revenues increase by $2.2 million in fiscal 2010 due to the transfer. The Oil Disaster Containment, Clean-Up and Contingency Fund will be left with a projected $2.6 million fund balance at the end of fiscal 2010, which MDE advises is not sufficient to cover planned expenditures. MDE indicates that the proposed $2.2 million transfer was meant to be a transfer of $1.0 million from this fund and a transfer of $1.2 million from MDE's Oil Reserve Fund.

Beginning in fiscal 2011, special fund expenditures from the Oil Disaster Containment, Clean-Up and Contingency Fund are redirected to support an estimated $1.4 million annually in water pollution control programs that otherwise would have been funded with general funds. The proposed fiscal 2011 State budget assumes the general fund expenditure decrease.

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. Currently, the fund is supported by a $0.04 per barrel fee on oil transferred into the State; pursuant to Chapter 177 of 2005, beginning July 1, 2010, the fee decreases to $0.03 per barrel. Costs incurred by the State from the fund are required to be reimbursed by responsible parties; reimbursements are also deposited into the fund. When the fund balance exceeds $5.0 million, monthly oil transfer fees are suspended until the balance is $4.0 million or until there is evidence that the balance could be significantly reduced by recent discharges. Estimated fiscal 2010 revenue to the fund is $5.5 million.

Location of Provision(s) in the Bill: Sections 3 and 11 (pp. 13-14 and 26)

Analysis prepared by: Evan Isaacson

Universal Services Trust Fund and Maryland School for the Deaf

Provision in the Bill: Authorizes the transfer of up to $1,000,000 from the Universal Services Trust Fund (USTF) to the Maryland School for the Deaf (MSD) in fiscal 2011. General funds and USTF special funds will be summed to develop the fiscal 2011 base appropriation used to calculate the minimum required fiscal 2012 appropriation for MSD.

Agency: Maryland School for the Deaf

Type of Action: Fund swap

Fiscal Impact:			*($ in millions)*			
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($1.0)	$0	$0	$0	$0
SF Exp	0	1.0	0	0	0	0

State Effect: In fiscal 2011, special fund expenditures from USTF increase by $1.0 million due to the use of these funds to support a portion of the MSD formula. General fund expenditures, which would otherwise be used to fund the minimum fiscal 2011 MSD appropriations, decrease by an equivalent amount in the proposed fiscal 2011 State budget contingent on the enactment of legislation authorizing the transfer. The transfer is not expected to affect the services that are supported with expenditures from USTF.

Recent History: USTF supports the Telecommunications Access of Maryland (TAM) program in the Department of Information Technology. TAM provides telephone access and other services for persons with disabilities that prevent them from using standard telephones. USTF is funded with a $0.18 landline surcharge.

As of June 30, 2009, the USTF fund balance was $12.0 million. Fiscal 2009 revenues total $6.0 million and interest income totaled approximately $574,000, while costs totaled $6.1 million. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $5.0 million from the fund in fiscal 2009, and another $5.0 million from the fund is being used to support the MSD formula in fiscal 2010.

Location of Provision(s) in the Bill: Section 25 (p. 33)

Analysis prepared by: Patrick Frank

Food and Plant Cover for Upland and Wetland Animals

Provision in the Bill: Repeals a requirement that specified hunting license revenues be used for planting food or cover for upland game birds and mammals and wetland game birds.

Agency: Department of Natural Resources

Type of Action: Special fund mandate relief

Fiscal Impact:			*(in dollars)*			
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($230,000)	($230,000)	($230,000)	($230,000)	($230,000)

State Effect: General fund expenditures decrease by $230,000 in fiscal 2011 and future years since the Department of Natural Resources (DNR) may redirect hunting license special fund revenues to programs previously supported with general funds. The proposed fiscal 2011 State budget does not include $230,000 in general funds for this purpose. The bill authorizes the use of special funds instead.

Program Description: DNR is required to use $10.50 of each fee charged for each regular and junior nonresident hunting license and $10.00 of each fee charged for each nonresident three-day hunting license for the purpose of planting food or cover for upland game birds and mammals and wetland game birds in the State. Specifically, these funds must be used to reimburse farmers for planting and leaving grains, grasses, and legumes, including clover, alfalfa, and soybeans, unharvested in the fields in order to be used to provide food or cover for any upland game birds and mammals and wetland game birds. The Department of Natural Resource's Wildlife and Heritage Service administers these programs.

Recent History: At an August 26, 2009 meeting, the Board of Public Works reduced the Wildlife and Heritage Service's fiscal 2010 special fund appropriation for this purpose by $230,000. There was a corresponding general fund reduction that could then subsequently be supported by the special funds.

Location of Provision(s) in the Bill: Section 9 (p. 25)

Analysis prepared by: Amanda M. Mock

Central Payroll Bureau Fee for Attachment

Provision in the Bill: Authorizes the Comptroller to deduct and retain a $2 processing fee for State employee payroll garnishments made via the attachment process. The bill also authorizes county and municipal governments in Maryland to retain a $2 processing fee from their employees.

Agency: Comptroller's Office

Type of Action: Revenue enhancement; fund swap

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
SF Rev	$0	$50,000	$50,000	$50,000	$50,000	$50,000
GF Exp	0	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
SF Exp	0	50,000	50,000	50,000	50,000	50,000

State Effect: Special fund revenues and expenditures increase by $50,000 beginning in fiscal 2011. The proposed fiscal 2011 State budget includes a $50,000 reduction in general fund expenditures for the Comptroller's Central Payroll Bureau contingent on the enactment of legislation establishing the fee for attachment. The additional special funds will replace the general fund expenditures.

Local Effect: If local governments utilize the authority, local revenues will increase with the establishment of payroll attachment fees.

Program Description: The Central Payroll Bureau provides payroll services for permanent and contractual employees in all of the branches of Maryland State government. The Comptroller remits approximately 1,000 garnishments per pay cycle.

Location of Provision(s) in the Bill: Section 1 (p. 5)

Analysis prepared by: Chantelle M. Green

Community College Aid Formula

Provision in the Bill: Reduces funding for local community colleges under the Senator John A. Cade Funding Formula to $194,407,432 in fiscal 2011 and 2012 and resets the phase in of scheduled formula enhancements. The formula enhancements will be fully phased in by fiscal 2016 at 29% of the per student funding provided to selected public four-year institutions.

Agency: Maryland Higher Education Commission

Type of Action: Temporary mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$0	($23.1)	($48.3)	($50.6)	($53.2)	($27.9)

State Effect: Mandated general fund expenditures for community colleges decrease by $23.1 million in fiscal 2011. The reduction will decrease the appropriation to $194.4 million for the Cade formula and is contingent on the enactment of legislation reducing the required amount. In fiscal 2011 and 2012, the bill specifies the funding for each college instead of distributing the funds through the Cade formula. Future year savings estimates use projected community college enrollments and estimated funding levels for public four-year institutions.

After limiting funding to 194.4 million for two years, the bill would restart the phase in of enhanced funding at 22% of the public four-year per pupil amount. By fiscal 2016 the funding would be fully phased in at 29%.

Reductions in State aid to community colleges are also likely to 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 2011, therefore, may affect retirement payments beginning in fiscal 2013. The reductions in general fund expenditures for retirement are not included in the estimates above but could total an estimated $2 million to $4 million annually from fiscal 2013 to 2017.

Local Effect: Direct State aid for community colleges decreases by $23.1 million in fiscal 2011. The fiscal 2011 reductions are shown by college in **Exhibit 4** and are shown by county in Appendix C. The Cade formula will phase up to full funding under the revised schedule by fiscal 2016.

Program Description: The Cade formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State's per student funding for selected public four-year institutions of higher education. This per student amount is multiplied by total community college enrollment to arrive at the total formula amount for the colleges. Each college's share of the total is then based on its proportion of formula funding from the prior year and enrollment. Chapter 487 of 2009 reset and extended a phased enhancement of the Cade formula that was initially established by Chapter 333 of 2006. This bill would further extend the phase-in schedule.

Recent History: In fiscal 2010, the Board of Public Works reduced the Cade formula by 5.0%, from $210.3 million to $199.8 million.

Exhibit 4
Impact of Proposed Fiscal 2011 Adjustments to Cade Formula

College	**Full Mandated Amount**	**Adjusted Amount**	**Decrease**
Allegany	$5,260,413	$4,535,850	($724,563)
Anne Arundel	29,813,304	26,902,364	(2,910,940)
Baltimore County	37,668,559	33,649,935	(4,018,624)
Carroll	7,492,566	6,770,354	(722,212)
Cecil	5,094,775	4,448,540	(646,235)
College of Southern MD	11,838,358	10,299,112	(1,539,246)
Chesapeake	6,225,486	5,268,995	(956,491)
Frederick	8,829,362	7,649,753	(1,179,609)
Garrett	2,480,545	2,307,428	(173,117)
Hagerstown	7,620,913	6,701,294	(919,619)
Harford	10,873,279	9,781,228	(1,092,051)
Howard	13,749,479	12,057,748	(1,691,731)
Montgomery	39,136,493	35,379,914	(3,756,579)
Prince George's	24,035,446	22,200,826	(1,834,620)
Wor-Wic	7,373,516	6,454,091	(919,425)
Total	**$217,492,494**	**$194,407,432**	**($23,085,062)**

Source: State Budget Books

Location of Provision(s) in the Bill: Section 3 (pp. 11-12)

Analysis prepared by: Richard Harris

Funding for Independent Colleges and Universities

Provision in the Bill: Reduces funding for qualifying independent colleges and universities under the Joseph A. Sellinger formula to $30,000,000 in fiscal 2011 and 2012 before restarting a phase up to full funding of the formula by fiscal 2017.

Agency: Maryland Higher Education Commission

Type of Action: Temporary mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$0	($22.0)	($26.3)	($24.0)	($20.5)	($19.1)

State Effect: Mandated general fund expenditures for the Sellinger formula decrease by $22.0 million in fiscal 2011 contingent on the enactment of legislation to reduce the required funding level. Future year savings estimates use projected enrollments at independent colleges and universities and estimated funding levels for public four-year universities.

Under this bill, funding will be $30 million in fiscal 2011 and 2012 and phase up from 8.5% of the public four-year per student funding in fiscal 2013 to 15.5% in fiscal 2017.

Program Description: The Joseph A. Sellinger Program provides State funding to 16 qualifying independent colleges and universities. Like the Cade formula, the Sellinger formula uses a percentage of the State's per student funding for selected public four-year institutions of higher education to determine a per student amount for the independent institutions. For fiscal 2011, the mandated Sellinger percentage of per student funding at the four-year institutions is 13.0%. Under current law, this percentage is scheduled to phase up to full funding (15.5%) for fiscal 2015 and subsequent years.

Recent History: In fiscal 2009, the Board of Public Works reduced the Sellinger formula by $8.1 million to $50.4 million. The fiscal 2010 budget adopted by the General Assembly provided a small increase for the formula to $52.2 million, but further cost containment actions by the Board of Public Works reduced fiscal 2010 funding by $13.7 million to $38.4 million.

Location of Provision(s) in the Bill: Section 3 (pp. 12-13)

Analysis prepared by: Rachel Silberman

Distinguished Scholar Program

Provision in the Bill: Prohibits new scholarship awards from being made under the Distinguished Scholar Program for the 2010-2011 academic year. The provision applies retroactively to January 20, 2010, and must be applied to and interpreted to affect any proposed scholarship awards considered on or after that date.

Agency: Maryland Higher Education Commission

Type of Action: Temporary mandate relief

Fiscal			*(in millions)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($1.1)	($1.1)	($1.1)	($1.1)	$0

State Effect: General fund expenditures decrease $1.1 million annually in fiscal 2011 through 2014 due to the loss of one class of distinguished scholarship awardees. The proposed fiscal 2011 State budget includes a $1.1 million reduction in funding for the program contingent on legislation reducing the mandated scholarship awards.

Program Description: The Distinguished Scholar Program provides 350 four-year scholarships in the amount of $3,000 per year to qualifying Maryland residents for use at postsecondary institutions of higher education in the State. New awards for the 2010-2011 academic year were announced in September 2009.

Recent History: The Board of Public Works reduced the fiscal 2010 appropriation for the Distinguished Scholar Program by $411,000 in November 2010. In fiscal 2009, the Maryland Higher Education Commission transferred $229,584 in unused Distinguished Scholar Program funds to other scholarship programs to satisfy shortfalls.

Location of Provision(s) in the Bill: Section 26 (p. 33)

Analysis prepared by: Caroline L. Boice

Funding for Scholarships for Private Career Schools

Provision in the Bill: Repeals the Jack F. Tolbert Scholarship Program providing need-based grants to Maryland private career school students.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Rev	$0	($200,000)	($277,500)	($277,500)	($277,500)	($277,500)

State Effect: Mandated general fund expenditures for the Tolbert Scholarship Program are eliminated, resulting in a fiscal 2011 savings of $200,000. The proposed fiscal 2011 State budget includes $200,000 for the program but eliminates the funding contingent on legislation repealing the program. Future year savings estimates are based on prior year appropriations.

Program Description: The Jack F. Tolbert Scholarship Program provides need-based grants of up to $1,500 to Maryland private career school students enrolled in a full-time program for at least 18 clock hours per week. By statute, since fiscal 1997 the Governor must provide at least $200,000 in the allowance for the Tolbert program.

Recent History: In fiscal 2009, the Jack F. Tolbert Scholarship Program was appropriated $277,500, a level that was maintained in the fiscal 2010 budget adopted by the General Assembly. However, the Board of Public Works eliminated fiscal 2010 funding for the program as part of its cost containment efforts.

Location of Provision(s) in the Bill: Section 8 (p. 25)

Analysis prepared by: Rachel Silberman

State Aid for Police Protection

Provision in the Bill: Limits the amount a local government may receive through the police aid formula in both fiscal 2011 and 2012 to the amount the jurisdiction receives in fiscal 2010.

Agency: Governor's Office of Crime Control and Prevention

Type of Action: Temporary mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0.0	($19.0)	($19.6)	$0.0	$0.0	$0.0

State Effect: General fund expenditures decrease by $19.0 million in fiscal 2011 and by approximately $19.6 million in fiscal 2012 due to the cap on the grants. The proposed fiscal 2011 State budget includes a reduction of $19.0 million contingent on the enactment of legislation to reduce State police aid.

Local Effect: State aid to local governments decreases by $19.0 million in fiscal 2011 and by approximately $19.6 million in fiscal 2012. The amount any jurisdiction receives through the police aid formula in these two years may not exceed the amount it receives in fiscal 2010. The reduction is shown by county in Appendix C.

Program Description: The police aid formula, established in 1967, provides grants to counties and qualifying municipalities for the exclusive purpose of providing adequate police protection. Essentially, the formula distributes funding on a per capita basis; however, it also incorporates several other factors including population density and municipal sworn officer count. The Budget Reconciliation and Financing Act of 2003 required the State to recover 30% of the State crime laboratory's costs related to evidence testing from local jurisdictions through a reduction in police aid grants. The crime laboratory reduction for fiscal 2011 totals $2.8 million.

Recent History: State funding for the police aid formula typically increases by 1.4% each year. In fiscal 2009, police aid totaled $65.9 million compared to $57.6 million in fiscal 1999. State funding for police aid was scheduled to total $66.0 million in fiscal 2010; however, in August 2009, the Board of Public Works reduced funding under the formula by $20.6 million or 31.2%. Due to this action, funding for police aid declined to $45.4 million in fiscal 2010. Under current law, State funding for the police aid formula is estimated at $64.4 million in fiscal 2011 and $65.0 million in fiscal 2012.

Location of Provision(s) in the Bill: Section 17 (p. 31)

Analysis prepared by: Hiram L. Burch, Jr.

Optional State Employee Defined Contribution System

Provision in the Bill: Eliminates the $600 per employee State match to employees' supplemental defined contribution retirement plans in fiscal 2011.

Agencies: All

Type of Action: Temporary mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($14.3)	$0	$0	$0	$0
SF Exp	0	(4.8)	0	0	0	0
FF Exp	0	(4.8)	0	0	0	0

State Effect: State expenditures decrease by an estimated $23.9 million (all funds) in fiscal 2011 with the elimination of the $600 per employee State matching contribution to State employees' supplemental defined contribution retirement plans administered by the Maryland Supplemental Retirement Plan (MSRP). This calculation is based on 54,224 eligible members of the Employees' Pension System (EPS) and a per person allocation of $440, accounting for the fact that not all eligible members participate in the defined contribution plans. The cost is assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds. These reductions are assumed in the proposed fiscal 2011 budget.

Program Description: State employees who are members of the Employees' Pension System and who participate in MSRP-defined contribution plans are entitled to an employer matching contribution of up to $600 per year.

Recent History: The match was suspended in fiscal 2004 and 2005 for budgetary reasons and was reinstated at a maximum level of $400 for fiscal 2006. The match was restored to a maximum level of $600 beginning in fiscal 2007 before being suspended again in fiscal 2010.

Location of Provision(s) in the Bill: Section 32 (p. 38)

Analysis prepared by: Michael C. Rubenstein

Student Transportation Base Grants

Provision in the Bill: Sets the inflation rate at 1% for student transportation grants to local school systems in fiscal 2011 and reduces the minimum annual inflation adjustment from 3% to 1%.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:			*($ in millions)*			
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($4.3)	($4.4)	($7.5)	($9.6)	($12.3)

State Effect: Mandated general fund expenditures for student transportation grants decrease by $4.3 million in fiscal 2011 by limiting the inflationary increase in the formula to 1%. The proposed fiscal 2011 State budget includes a $4.3 million reduction for student transportation contingent on legislation reducing the mandated amount. Future year expenditure decreases reflect the continued 1% floor on the inflation adjustment.

Local Effect: State student transportation grants to local school systems decrease by $4.3 million in fiscal 2011. Future years likewise reflect the reduction in annual inflationary increases.

Program Description: The State provides grants to assist local school systems with the cost of transporting students to and from school. The grants are inflated annually with the increase in the Consumer Price Index for private transportation in the second preceding fiscal year, but increases may not be less than 3% or more than 8%.

In addition to the base transportation grants, the State provides school systems with another $1,000 for each student with special transportation needs.

Recent History: Chapter 487 of 2009 specified that the inflation factor for student transportation grants will be 1% in fiscal 2012 only.

Location of Provision(s) in the Bill: Section 3 (pp. 9-10)

Analysis prepared by: Monica Kearns and Mark Collins

Targeted Local Health Formula

Provision in the Bill: Reduces the base appropriation for the Targeted Local Health Formula for fiscal 2011 and 2012 from $41,000,000 to $37,283,484 and restarts annual inflationary increases to the program beginning in fiscal 2013.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($3.7)	($4.1)	($3.8)	($3.8)	($3.8)

State Effect: General fund expenditures decrease by $3.7 million in fiscal 2011 and $4.1 million in fiscal 2012. The fiscal 2011 budget bill includes the reduction contingent on legislation authorizing the reduction. Inflationary and population growth adjustments resume in fiscal 2013, but off the lower $37.3 million base.

Local Effect: State funding for local health departments is reduced by $3.7 million in fiscal 2011. The impact is shown by county in Appendix C.

Program Description: The State provides funds to the 24 local health departments for core public health services. These services include child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of the departments.

State law currently requires adjustments to the Targeted Local Health Formula for inflation and population growth from the second prior fiscal year and requires that these adjustments be made to the amount provided for local health departments in fiscal 1997. The mandate has been interpreted to simply require that the fiscal 1997 amount be adjusted each year without compounding the increases over time. The projected general fund reduction assumes that this interpretation continues in future years.

Recent History: The fiscal 2010 legislative appropriation for core public health services of $57.4 million was reduced by $20.1 million by the Board of Public Works. The reduced amount, $37.3 million, is the new base amount proposed by the Administration.

Location of Provision(s) in the Bill: Section 3 (pp.14-16)

Analysis prepared by: Erin M. Dorrien

Special Supplemental Food Program for Women, Infants, and Children

Provision in the Bill: Repeals the requirement that the Governor include general funds of at least $250,000 in the annual budget to cover the administrative and food costs of the Special Supplemental Food Program for Women, Infants, and Children (WIC).

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($42,559)	($147,640)	($250,000)	($250,000)	($250,000)

State Effect: General fund expenditures decrease by $42,559 contingent on the enactment of legislation reducing the WIC mandate. Although the Governor is required to include general funds of at least $250,000 in the annual budget to support the program, language in the Budget Reconciliation and Financing Act of 2009 allowed the Governor to not fund any increases in fiscal 2011 and 2012 over the amounts appropriated in the fiscal 2010 budget. Therefore, the proposed fiscal 2011 State budget for the program prior to the contingent reduction is only $147,640 (based on the fiscal 2010 appropriation).

Mandated general fund expenditures decrease by $147,640 in fiscal 2012, representing the maximum amount that the Governor would have been required to fund. Although it is possible that the program will still receive general fund support in future years, general fund savings estimates for the remaining out-years reflect an elimination of the full mandated general fund appropriation.

Program Description: WIC is primarily a federally funded program that provides healthy supplemental food and nutrition counseling for pregnant women, new mothers, infants, and children under age five.

Recent History: Although the Governor's budgets have included the mandated general funds of $250,000, the legislature has decreased this amount in recent years. For example, in fiscal 2010, only $147,640 was appropriated; in fiscal 2009, the appropriation was $177,000. Even with the general fund reductions and an increased program caseload, the general fund appropriation in recent years has been sufficient to cover the administrative costs of the program.

Location of Provision(s) in the Bill: Section 3 (p. 17)

Analysis prepared by: Jennifer Botts

Maryland Agricultural and Resource-Based Industry Development Corporation

Provision in the Bill: Reduces mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) to $850,000 in fiscal 2011 and 2012, $1,750,000 in fiscal 2013, and $2,750,000 in fiscal 2014. Funding for fiscal 2015 through 2020 is $4,000,000 each year.

Agency: Maryland Department of Agriculture

Type of Action: Temporary mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($1.9)	($3.2)	($2.3)	($1.3)	$0

State Effect: General fund expenditures decrease by $1.9 million in fiscal 2011, $3.2 million in fiscal 2012, $2.3 million in fiscal 2013, and $1.3 million in fiscal 2014 due to the change in the required MARBIDCO appropriation. The proposed fiscal 2011 State budget includes a $1.9 million reduction contingent upon legislation authorizing the reduction.

Local Effect: Local governments may be affected in fiscal 2011 through 2014 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 2004, 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 at $1.0 million in fiscal 2007, $3.0 million in fiscal 2008, $3.5 million in fiscal 2009, and $4.0 million in fiscal 2010 through 2020. The full mandated amounts were provided in fiscal 2007 and 2008, but the required fiscal 2009 funding level of $3.5 million was reduced to $3.25 million by the General Assembly and then to $2.75 million by the Board of Public Works in October 2008. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) then reduced the required fiscal 2010 and 2011 funding levels to $2.75 million.

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

Analysis prepared by: Lesley Cook

Soil Conservation Districts

Provision in the Bill: Reduces statutory annual funding levels for Soil Conservation Districts (SCDs) from $10,000,000 to $9,200,000 in fiscal 2011 and 2012 and $9,600,000 in fiscal 2013. In fiscal 2014 and thereafter, the funding level is $10,000,000. A requirement that the Governor include an amount sufficient to employ not less than 110 SCD field personnel in the annual budget bill is repealed.

Agency: Maryland Department of Agriculture

Type of Action: Temporary mandate relief

Fiscal			*(in dollars)*			
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($400,000)	($400,000)	($400,000)	$0	$0

State Effect: General fund expenditures decrease by $400,000 in fiscal 2011, 2012, and 2013. The proposed fiscal 2011 State budget includes a $400,000 reduction contingent on the enactment of legislation authorizing the reduction and will preclude the hiring of seven new SCD field positions. Although the identified amounts for fiscal 2011 and 2012 are $800,000 below the statutory funding level, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) provides that for fiscal 2011 and 2012 only, the Governor is not required to include an appropriation for any program that exceeds the fiscal 2010 legislative appropriation, as long as the program was not addressed in Chapter 487. Thus, this analysis uses the fiscal 2010 legislative appropriation ($9.6 million) as a baseline for both fiscal 2011 and 2012.

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 $9.6 million for fiscal 2010 and $10.0 million for fiscal 2011 and each year thereafter. The fiscal 2010 budget includes $9.6 million for SCDs.

Location of Provision(s) in the Bill: Section 1 (p. 5)

Analysis prepared by: Lesley Cook

State Personnel System

Provision in the Bill: Reduces minimum funding for the State Personnel System from $5,000,000 to $2,069,344 in fiscal 2011.

Agencies: All

Type of Action: Temporary mandate relief; cost deferral

Fiscal Impact:			*($ in millions)*			
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($1.8)	increase	increase	$0	$0
SF Exp	0	(0.6)	increase	increase	0	0
FF Exp	0	(0.6)	increase	increase	0	0

State Effect: This action recognizes that the amount of funding required in statute for a new State Personnel System exceeds the amount needed in fiscal 2011. The action reduces the spending to the level needed to support planning, requirements analysis, design, and independent verification and validation of the new information system in fiscal 2011. The project is supported by reimbursable funds from State agencies, of which 60% are projected to be general funds, 20% are projected to be special funds, and 20% are projected to be federal funds.

The project's scope and total cost have not been reduced, so out-year costs will increase to pay the $2.9 million deferred in fiscal 2011.

Program Description: The objective of this information technology project is to develop an integrated, automated human resources system that replaces the legacy systems that were developed and implemented in 1975.

Recent History: Chapter 487 of 2009 asserts that the State's existing human resources management system is outmoded and inefficient and requires that the Department of Budget and Management establish a mechanism to fund the development, acquisition, and implementation of a new State Personnel System. The legislation required that a new subobject budget code be created and that State agencies be charged with the costs of the new system based on the number of authorized positions. The legislation also required that in fiscal 2011 at least $5,000,000 be appropriated for the system.

Location of Provision(s) in the Bill: Section 37 (pp. 40-41)

Analysis prepared by: Patrick Frank

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 to $5,000,000 for fiscal 2011 and 2012.

Agency: Department of Business and Economic Development

Type of Action: Temporary mandate relief

Fiscal Impact:	($ in millions) **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($1.0)	($1.0)	$0	$0	$0

State Effect: General fund expenditures decrease by $1.0 million in fiscal 2011 and 2012 due to the change in the mandated funding level. However, the fiscal 2011 allowance includes $5.0 million in general funds for the fund despite the $6.0 million mandate.

Local Effect: Local government revenues may decrease to the extent that less funding is available for grants to destination marketing organizations, most of which are local government entities. However, statute requires that a minimum of $2.5 million must be provided from the fund for grants to destination marketing organizations each year beginning in fiscal 2011. This bill does not alter that requirement.

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.

Recent History: The fiscal 2010 allowance was reduced by actions of the General Assembly from the mandated $6.0 million level to approximately $4.6 million. Cost containment actions by the Board of Public Works further reduced funding to approximately $2.6 million in fiscal 2010.

Location of Provision(s) in the Bill: Section 3 (p. 9)

Analysis prepared by: Jody Sprinkle

Maryland State Arts Council

Provision in the Bill: Sets the required minimum appropriation for the Maryland State Arts Council at $13,298,434 for fiscal 2011 and 2012. Annual inflationary adjustments, equal to the projected increase in general fund revenues, resume in fiscal 2013.

Agency: Department of Business and Economic Development

Type of Action: Mandate relief

Fiscal	*(in dollars)*					
Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($247,566)	($844,438)	($894,281)	($938,908)	($983,059)

State Effect: General fund expenditures decrease by $247,566 in fiscal 2011 due to the change in the mandated funding level. The proposed fiscal 2011 State budget provides the full amount for the council but includes a reduction of $247,566 contingent on the enactment of legislation reducing the mandated funding level. Future year expenditure reductions reflect the impact of inflationary increases on the lowered fiscal 2011 and 2012 base amount.

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

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

Recent History: The fiscal 2009 appropriation for the arts council was reduced from $16.5 million to $14.2 million by the Board of Public Works in October 2008. The original fiscal 2010 general fund appropriation was $13.5 million, but further cost containment actions reduced funding to $13.3 million. This provision holds the funding at the fiscal 2010 level for two years before restarting inflationary increases.

Location of Provision(s) in the Bill: Section 3 (p. 21)

Analysis prepared by: Jody Sprinkle

Bureau of Revenue Estimates Statistics of Income Report and Tax Incidence Study

Provision in the Bill: Waives the statutory requirement that the Bureau of Revenue Estimates prepare the *Statistics of Income Report* and tax incidence study for tax years 2008 through 2010.

Agency: Comptroller's Office

Type of Action: Efficiency measure

Fiscal Impact:	*(in dollars)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($103,000)	($103,000)	$0	$0	$0

State Effect: General fund expenditures decrease by $103,000 in fiscal 2011 and 2012 due to the elimination of required reports. The proposed fiscal 2011 State budget includes a $103,000 general fund reduction contingent on the enactment of legislation to suspend the *Statistics of Income Report*. In November 2009 the Board of Public Works reduced the Comptroller's fiscal 2010 budget by $103,000 to capture savings from waiving the Statistics of Revenue report.

Preparation of the report will resume in fiscal 2013.

Program Description: State law requires the Bureau of Revenue Estimates to prepare an annual report detailing State income tax revenue by category. The Comptroller currently utilizes an independent contractor to perform various statistical imputations required in order to prepare the report.

Location of Provision(s) in the Bill: Section 24 (p. 32)

Analysis prepared by: Chantelle M. Green

InterCounty Connector Funding

Provision in the Bill: Alters the timing of support for the InterCounty Connector (ICC) by reducing the fiscal 2011 payment from $156,913,000 to $126,900,000, extending repayment to fiscal 2012, and requiring a payment of $30,013,000 in fiscal 2012.

Agency: Maryland Transportation Authority

Type of Action: Temporary mandate relief

Fiscal Impact:	*($ in millions)* **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GO Bond Exp	0	($30.0)	$30.0	0	0	0

State Effect: General obligation (GO) bond expenditures for the ICC decrease by $30.0 million in fiscal 2011 and increase by $30.0 million in fiscal 2012.

Program Description: The ICC will be an 18.8 mile 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 highway will be the State's first fully electronic toll facility and the first to utilize congestion pricing. A portion of the road will open in late 2010.

Recent History: Chapters 471 and 472 of 2005 established a finance plan for the ICC that included $264.9 million in general funds to repay money borrowed from the Transportation Trust Fund in 2003 and 2004. In fiscal 2007, a $53.0 million general fund payment was made. Chapter 567 of 2008 altered the timing of payments contingent on legislation creating an income tax bracket for individuals with adjusted gross incomes of $1 million or more. Passage of that legislation (Chapter 10 of 2008) put the following payment schedule into effect: $85.0 million in fiscal 2009, $63.0 million in fiscal 2010, and $63.9 million in fiscal 2011.

In October 2008, the Governor withdrew $20.0 million from the fiscal 2009 appropriation through the Board of Public Works. Chapter 487 of 2009 then withdrew the remaining $65.0 million general fund appropriation, allowed the use of GO bond proceeds to make the required payments, and reduced the fiscal 2010 payment from $63.0 million to $55.0 million. In fiscal 2010, a payment of $55.0 million in GO bonds was made, leaving a remaining balance of $156.9 million to be paid in fiscal 2011. This provision defers the final $30.0 million of that amount until fiscal 2012.

In the proposed fiscal 2011 State budget, an appropriation of $156.9 million in general funds is included; however, this amount is deleted from the budget contingent on the enactment of legislation authorizing the use of GO bonds to support the ICC. Since legislation was already enacted to authorize the use of GO bonds (Chapter 487 of 2009), this appropriation is effectively eliminated.

Location of Provision(s) in the Bill: Section 7 (pp. 24-25)

Analysis prepared by: Jaclyn Hartman

Mandated Appropriation Increases for Fiscal 2012

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

Agencies: Multiple

Type of Action: Temporary mandate relief

Fiscal Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF/SF Exp	$0	$0	decrease	decrease	decrease	decrease

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

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

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) included a similar provision to relieve the Governor of some mandates in the proposed fiscal 2011 and 2012 State budgets. The provision last year included an exemption for any mandates that were addressed in Chapter 487.

Location of Provision(s) in the Bill: Section 27 (p. 33)

Analysis prepared by: Mark W. Collins

Fiscal 2012 Appropriation to Rainy Day Fund

Provision in the Bill: Relieves the Governor of the requirement to appropriate funds to the Revenue Stabilization Account in fiscal 2012 if the Governor determines that the appropriation would result in the loss of federal funds under the American Recovery and Reinvestment Act of 2009 (ARRA) or any other federal law.

Agency: Department of Budget and Management

Type of Action: Mandate relief

Fiscal Impact:	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	$0	decrease	$0	$0	$0

State Effect: General fund expenditures may decrease in fiscal 2012 if the Governor determines that an appropriation to the Revenue Stabilization Account ("Rainy Day Fund") will result in the loss of federal funds under ARRA or any other federal law. Chapter 487 of 2009 provided this same mandate relief in fiscal 2011.

Program Description: ARRA was signed into law on February 17, 2009, with the intention of promoting economic recovery, assisting those most impacted by the recession, and stabilizing state and local government budgets, particularly in the areas of education and health. ARRA includes safeguards to ensure that states do not simply supplant state funding with the new federal funds.

The Governor is required to include appropriations to the Rainy Day Fund in the annual budget proposal if the amount in the fund is below 7.5% of projected general fund revenues for the fiscal year. The required amount depends on the percentage of projected general fund revenues in the fund, but the required fiscal 2012 appropriation is expected to be $50.0 million. Maryland has been able to maintain a 5% Rainy Day Fund balance despite the recent economic downturn.

Location of Provision(s) in the Bill: Section 37 (p. 40)

Analysis prepared by: Mark W. Collins

State Employee Pay Increases

Provision in the Bill: Prohibits performance bonuses, merit increases, and cost-of-living adjustments to State employees in fiscal 2011 except for increases necessary to retain faculty at public senior higher education institutions.

Agencies: All

Type of Action: Cost control

Fiscal Impact:	($ in millions) **FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
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)
HE Exp	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 2011, including a $60.3 million general fund 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 public institutions of higher education. These reductions are assumed in the proposed fiscal 2011 State budget.

Future year expenditure reductions reflect 4.4% annual salary increases growing off the reduced fiscal 2011 salary base.

Recent History: General salary increases and annual salary review reclassifications were not awarded in fiscal 2003, 2004, or 2010. 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 31 (p. 38)

Analysis prepared by: Michael Vorgetts and Dylan Baker

State Employee Temporary Salary Reduction Plan

Provision in the Bill: Clarifies that the Governor may institute a temporary salary reduction plan in addition to furloughs for State employees in the Executive Branch when facing a projected deficit and specifies how overtime payments will be calculated during a temporary salary reduction. Overtime calculations for employees whose salaries have been lowered in fiscal 2010 and 2011 by furloughs or temporary salary reductions will be based on the fiscal 2010 pay schedule established on July 1, 2009, before the application of salary reductions.

Agencies: All

Type of Action: Clarification

Fiscal Impact: None. The provision clarifies current practice.

Program Description: The fiscal 2011 furlough will mirror the fiscal 2010 furlough, which had two components: a temporary salary reduction for employees related to the closure of State facilities on five days contiguous to State holidays; and furlough days to be taken throughout the year as determined by the employee and agency management. All employees were subject to the temporary salary reduction, while the application of furlough days had numerous exceptions, such as emergency and security personnel, and employees of facilities operating on a 24/7 basis. The number of furlough days also increased in proportion to the employee's salary.

Overtime payments total $105.8 million in the proposed fiscal 2011 State budget across all funds, $9.1 million less than the amount in the fiscal 2010 working appropriation. These payments are equivalent to 2.3% of total salaries in fiscal 2011. The calculation method described in this provision helped generate the overtime totals already included in both fiscal years' budgeted amounts, so this section is considered a clarification of policy.

Recent History: State employees will have been furloughed for three consecutive fiscal years – fiscal 2009, 2010, and 2011. Only the fiscal 2009 plan did not contain temporary salary reduction components.

Location of Provision(s) in the Bill: Sections 33 and 34 (pp. 38-39)

Analysis prepared by: Dylan R. Baker

Rates for Nonpublic Placements and Residential Child Care Group Homes

Provision in the Bill: Freezes the fiscal 2011 rates for nonpublic special education placements and residential child care providers that have their rates set by the Interagency Rates Committee (IRC) at the rates in effect on January 20, 2010.

Agencies: Maryland State Department of Education, Department of Human Resources, and Department of Juvenile Services

Type of Action: Cost control

Fiscal Impact: *($ in millions)*	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
GF Exp	$0	($11.7)	($12.3)	($13.0)	($13.7)	($14.5)
FF Exp	$0	(2.9)	(3.0)	(3.2)	(3.4)	(3.5)

State Effect: General fund expenditures for nonpublic special education placements and residential child care group home providers decrease by an estimated $11.7 million in fiscal 2011 due to the freeze on provider rates. This reduction includes savings of an estimated $5.3 million for nonpublic placement costs and savings of an estimated $6.4 million for Department of Human Resources (DHR) and Department of Juvenile Services (DJS) group home costs. A federal fund savings of $2.9 million for residential group homes costs is also projected. 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. The savings estimate assumes that rates would have increased by about 5% in fiscal 2011 absent this provision. The proposed fiscal 2011 State budget does not include the funds that would be needed to provide increases in rates.

Future year expenditure reduction estimates assume that future rates will be built off lower fiscal 2011 base amounts.

Local Effect: The limit on provider rates will reduce local costs for nonpublic special education placements. 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 30% of any expense above that sum.

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

Most students with disabilities receive special education services in the public schools. If an appropriate program is not available in the public schools, however, a student may be placed in a private school offering more specialized services. The costs for these students, who are placed in nonpublic day or residential facilities, are shared by the local school systems and the State, with the State paying 70% of the costs above the base local funding amount.

Recent History: The fiscal 2010 State budget includes $112.8 million to pay the State's share of nonpublic special education placement costs. Chapter 487 of 2009 reduced the State share to 70% of the costs above the base local funding and limited growth in the fiscal 2010 rates paid to providers to 1%. Budget reconciliation legislation enacted in 2004 and 2005 reduced the State share above the base local funding from 80% to 75% for fiscal 2005 and 2006 only.

As part of the fiscal 2009 cost containment actions taken by the Board of Public Works, child care group home 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.

Location of Provision(s) in the Bill: Section 18 (pp. 31-32)

Analysis prepared by: Monica Kearns

Appendix B

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GENERAL FUND REVENUES						
Fund Balance Transfers						
Local Highway User Revenues	159,502,391	238,336,990	340,255,990			
Program Open Space/Ag. Land Preservation Fund	157,532,496	54,038,405				
Bay Restoration Fund	155,000,000	45,000,000				
University System of Maryland Fund Balances	85,051,173	51,731,321				
Heritage Tax Credit Program	39,693,790	(12,920,482)	(13,530,326)	(10,745,376)	(1,997,606)	(500,000)
Real Property Records Improvement Fund	25,000,000					
Injured Workers' Insurance Fund	20,000,000					
Waterway Improvement Fund	13,509,450	3,934,000				
Injured Workers' Insurance Fund for State Claims	6,000,000					
Insurance Trust Fund	5,221,332					
Neighborhood Business Development Fund	3,628,687	3,200,000				
Ocean Beach Replenishment Fund	3,401,000					
Assessments and Taxation Special Fund	3,000,000					
Oil Disaster Containment Fund	2,200,000					
Special Loans Program Fund	2,176,565	2,500,000				
Insurance Regulation Fund	2,000,000					
Vehicle Theft Prevention Fund	1,824,924					
Community Health Resources Fund	1,800,000					
Morgan State University Fund Balance	1,664,227	790,574				
Spinal Cord Injury Research Trust Fund	1,559,000	500,000				
Land Trust Grant Fund	1,500,000					
Oil Contaminated Site Cleanup Fund	1,200,000					
Used Tire Cleanup and Recycling Fund	1,100,000					
Tidal Wetlands Compensation Fund	1,000,000					
Cash Management Improvement Fund	733,339					
Horse Racing Funds – Local Impact Grants	602,800					
Board of Physicians	527,619	1,000,000				
Correctional Enterprises Fund	500,000					
Injured Workers' Insurance Fund Admin. Funds	500,000					
Central Collection Fund	500,000	(22,438,649)	(680,324)	(6,476,001)	(7,357,422)	(10,149,025)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Maryland Health Care Commission Fund	472,026					
Community Legacy Financial Assistance	449,373					
Board of Nursing	305,549					
Shore Erosion Control Construction Loan Fund	305,481					
Clean Air Fund	300,000					
St. Mary's College Fund Balance	204,368	204,368				
State Chemist Reserve Account	150,000					
Radiation Control Fund	150,000					
Board of Pharmacy	98,544	200,000				
Baltimore City Community College Fund Balance	96,541	822,287				
Homeownership Program Fund	92,040	3,000,000				
Rental Housing Programs Fund	87,758					
Partnership Rental Housing Fund	87,758					
Dental Examiners	73,530					
Social Work Examiners	52,097					
Chiropractic and Massage Therapist Examiners	36,128					
Examiners for Psychologists	23,718	50,000				
Professional Counselors and Therapists	22,013	50,000				
Physical Therapy Examiners	17,567					
Audiologists and Speech Language Pathologists	13,698					
Occupational Therapy Practice	11,923					
Optometry Examiners	9,837					
Acupuncture Board	9,666					
Morticians and Funeral Directors	9,566					
Podiatric Medical Examiners	7,283					
Kidney Disease Fund	4,092					
Dietetic Practice Fund	3,738					
Special Fund Furlough Savings		5,995,218				
Subtotal – Transfer Revenue	***701,023,087***	***375,994,032***	***326,045,340***	***(17,221,377)***	***(9,355,028)***	***(10,649,025)***

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Other General Fund Revenue Actions						
Corporate Income Taxes – MDOT/HEIF Share of $129m	34,009,560					
Special Fund Interest	11,900,000	11,000,000				
Reduce Dedication to Bay 2010 Fund	8,000,000	22,101,428				
Electronic Bingo and Tip Jar Revenues	3,400,000	2,400,000				
Traffic Ticket Revenues	2,000,000	2,000,000	2,000,000			
Eliminate MD-mined Coal Credits		4,500,000	4,500,000	4,500,000	6,000,000	6,000,000
Abandoned Property Administrative Savings		512,000	512,000	512,000	512,000	512,000
Subtotal – Other GF Revenue Actions	***59,309,560***	***42,513,428***	***7,012,000***	***5,012,000***	***6,512,000***	***6,512,000***
TOTAL GENERAL FUND REVENUES	**760,332,647**	**418,507,460**	**333,057,340**	**(12,209,377)**	**(2,843,028)**	**(4,137,025)**
SPECIAL FUND REVENUES						
Transfer to Education Trust Fund	350,000,000					
Increased Nursing Home Facility Assessments		44,000,000	45,980,000	48,049,100	50,211,310	52,470,819
Attachment Fee for Central Payroll		50,000	50,000	50,000	50,000	50,000
Helicopter Replacement Fund	(1,000,000)	(1,000,000)	(1,000,000)			
Volunteer Company Assistance Fund	(1,000,000)	(1,000,000)	(1,000,000)			
Preservation of Cultural Arts Fund	(3,400,000)	(2,400,000)				
Higher Ed Investment Fund	(7,740,000)					
Chesapeake Bay 2010 Fund	(8,000,000)	(22,101,428)				
Special Fund Interest Earnings	(11,900,000)	(11,000,000)				
Transportation Trust Fund	(26,269,560)					
TOTAL SPECIAL FUND REVENUES	**290,690,440**	**6,548,572**	**44,030,000**	**48,099,100**	**50,261,310**	**52,520,819**
FEDERAL FUND REVENUES						
Medicaid Funds for Nursing Homes		27,000,000	28,215,000	29,484,675	30,811,485	32,198,002
TOTAL FEDERAL FUND REVENUES	**0**	**27,000,000**	**28,215,000**	**29,484,675**	**30,811,485**	**32,198,002**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GENERAL FUND EXPENDITURES						
Fund Swaps						
Senior Drug Program for Kidney Disease	(10,258,053)	(1,500,000)				
Senior Drug Program for Medicaid	(3,000,000)					
Education Trust Fund for Education Aid		(350,000,000)			50,000,000	50,000,000
Nursing Home Facility Assessment for Medicaid		(17,000,000)	(17,765,000)	(18,564,425)	(19,399,824)	(20,272,816)
CareFirst Subsidies for Kidney Disease		(10,500,000)	(10,500,000)	(10,500,000)	(10,500,000)	(10,500,000)
Reduce CRF Academic Health Centers Mandate		(7,350,000)	(13,000,000)	(5,550,000)	(5,550,000)	(5,550,000)
Bond Funding for Aging Schools		(6,108,990)				
9-1-1 Funds for State Police Projects		(5,000,000)				
Oil Disaster Fund for Water Pollution Programs		(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
Universal Service Trust Fund for School for the Deaf		(1,000,000)				
Reduce CRF Smoking Cessation Mandates		(803,160)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Eliminate Hunting Fees Dedication		(230,000)	(230,000)	(230,000)	(230,000)	(230,000)
Attachment Fees for Central Payroll		(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Subtotal – Fund Swaps	***(13,258,053)***	***(400,942,150)***	***(57,945,000)***	***(51,294,425)***	***(2,129,824)***	***(3,002,816)***
General Fund Mandate Relief						
Community College Formula		(23,085,062)	(48,311,751)	(50,644,191)	(53,228,809)	(27,852,887)
Funding for Private Universities (Sellinger)		(21,983,458)	(26,312,787)	(23,977,401)	(20,535,183)	(19,120,907)
Police Aid		(18,955,972)	(19,599,742)			
State Employee Deferred Compensation Match		(14,300,000)				
Student Transportation Formula		(4,343,672)	(4,394,698)	(7,496,099)	(9,554,553)	(12,307,337)
Aid for Local Health Departments		(3,716,516)	(4,126,516)	(3,790,846)	(3,805,712)	(3,801,996)
MARBIDCO Mandate		(1,900,000)	(3,150,000)	(2,250,000)	(1,250,000)	
New Personnel System		(1,758,394)				
Distinguished Scholar Awards		(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)	
Tourism Development Board		(1,000,000)	(1,000,000)			
Soil Conservation Districts		(400,000)	(400,000)	(400,000)		
Arts Council		(247,566)	(844,438)	(894,281)	(938,908)	(983,059)
Career School Grants (Tolbert Scholarships)		(200,000)	(277,500)	(277,500)	(277,500)	(277,500)
Eliminate Comptroller Reports		(103,000)	(103,000)			
Women, Infants, and Children Food Program		(42,559)	(147,640)	(250,000)	(250,000)	(250,000)
Subtotal – GF Mandate Relief	***0***	***(93,086,199)***	***(109,718,072)***	***(91,030,318)***	***(90,890,665)***	***(64,593,686)***

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Cost Control/Efficiency Measures						
Eliminate State Employee Pay Increases		(60,342,395)	(62,997,460)	(65,769,348)	(68,663,199)	(71,684,380)
Freeze Foster Care Group Home Rates		(6,432,994)	(6,754,644)	(7,092,376)	(7,446,995)	(7,819,344)
Freeze Nonpublic Placement Rates		(5,305,732)	(5,586,111)	(5,915,563)	(6,266,860)	(6,637,913)
Subtotal – Cost Control/Efficiency	***0***	***(72,081,121)***	***(75,338,215)***	***(78,777,287)***	***(82,377,054)***	***(86,141,637)***
TOTAL GENERAL FUND EXPENDITURES	**(13,258,053)**	**(566,109,470)**	**(243,001,287)**	**(221,102,030)**	**(175,397,543)**	**(153,738,139)**
SPECIAL FUND EXPENDITURES						
Local Highway User Revenues		(238,336,990)	(340,255,990)			
Transfer Tax Projects		(54,038,405)				
Bay Restoration Fund Projects		(45,000,000)				
Chesapeake Bay 2010 Fund		(22,101,428)				
State Employee Pay Increases		(11,889,862)	(12,413,016)	(12,959,189)	(13,529,393)	(14,124,686)
State Employee Deferred Compensation Match		(4,800,000)				
Waterway Improvement Fund		(3,934,000)				
Neighborhood Business Development Fund		(3,200,000)				
Homeownership Program Fund		(3,000,000)				
Special Loan Programs Fund		(2,500,000)				
New Personnel System		(586,131)				
Abandoned Property Advertising		(512,000)	(512,000)	(512,000)	(512,000)	(512,000)
Attachment Fees for Central Payroll		50,000	50,000	50,000	50,000	50,000
Universal Services Trust Fund		1,000,000				
9-1-1 Trust Fund		5,000,000				
Increased Nursing Home Assessment		44,000,000	45,980,000	48,049,100	50,211,310	52,470,819
Education Trust Fund		350,000,000				
Senior Prescription Drug Assistance Program	13,500,000	1,500,000				
TOTAL SPECIAL FUND EXPENDITURES	**13,500,000**	**11,651,184**	**(307,151,006)**	**34,627,911**	**36,219,917**	**37,884,133**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FEDERAL FUND EXPENDITURES						
Eliminate State Employee Pay Increases		(6,576,636)	(6,866,008)	(7,168,112)	(7,483,509)	(7,812,783)
State Employee Deferred Compensation Match		(4,800,000)				
Freeze Foster Care Group Home Rates		(2,903,542)	(3,048,719)	(3,201,155)	(3,361,213)	(3,529,273)
New Personnel System		(586,131)				
Medicaid Match for Nursing Homes		27,000,000	28,215,000	29,484,675	30,811,485	32,198,002
TOTAL FEDERAL FUND EXPENDITURES	**0**	**12,133,691**	**18,300,273**	**19,115,408**	**19,966,763**	**20,855,946**
REIMBURSABLE FUND EXPENDITURES						
Eliminate State Employee Pay Increases		(736,569)	(768,978)	(802,813)	(838,137)	(875,015)
TOTAL REIMBURSABLE EXPENDITURES	**0**	**(736,569)**	**(768,978)**	**(802,813)**	**(838,137)**	**(875,015)**
HIGHER EDUCATION EXPENDITURES						
Eliminate State Employee Pay Increases		(12,215,246)	(12,752,717)	(13,313,837)	(13,899,646)	(14,511,230)
TOTAL HIGHER EDUCATION EXPENDITURES	**0**	**(12,215,246)**	**(12,752,717)**	**(13,313,837)**	**(13,899,646)**	**(14,511,230)**
BOND EXPENDITURES						
InterCounty Connector Payments		(30,013,000)	30,013,000			
Aging Schools Program		6,108,990				
Transfer Tax Programs		54,035,000				
TOTAL BOND EXPENDITURES	**0**	**30,130,990**	**30,013,000**	**0**	**0**	**0**

Appendix C
Fiscal 2011 Local Impact of Budget Reconciliation and Financing Act of 2010
($ in Thousands)

County	Highway User Revenues	Community Colleges	Police Aid	Student Transportation	Local Health Departments	Total Reduction in Local Aid
Allegany	($4,246)	($725)	($307)	($82)	$156	($5,203)
Anne Arundel	(19,313)	(2,911)	(2,127)	(371)	(38)	(24,760)
Baltimore City	(43,130)	0	(46)	(301)	(1,450)	(44,928)
Baltimore	(25,639)	(4,019)	(3,305)	(467)	(1,206)	(34,634)
Calvert	(4,246)	(294)	(262)	(101)	109	(4,794)
Caroline	(2,955)	(217)	(122)	(47)	85	(3,256)
Carroll	(8,466)	(722)	(571)	(174)	(29)	(9,961)
Cecil	(4,748)	(646)	(350)	(91)	55	(5,780)
Charles	(6,155)	(938)	(430)	(185)	36	(7,672)
Dorchester	(3,285)	(196)	(137)	(43)	32	(3,629)
Frederick	(11,283)	(1,180)	(761)	(209)	20	(13,413)
Garrett	(3,704)	(173)	(83)	(55)	80	(3,935)
Harford	(9,870)	(1,092)	(982)	(217)	(251)	(12,412)
Howard	(9,493)	(1,692)	(748)	(268)	(164)	(12,364)
Kent	(1,692)	(89)	(73)	(29)	35	(1,848)
Montgomery	(27,335)	(3,757)	(5,075)	(575)	(169)	(36,910)
Prince George’s	(22,940)	(1,835)	(1,750)	(626)	(1,438)	(28,588)
Queen Anne’s	(3,471)	(255)	(152)	(60)	47	(3,892)
St. Mary’s	(4,721)	(308)	(318)	(115)	(70)	(5,532)
Somerset	(1,960)	(108)	(87)	(33)	(10)	(2,198)
Talbot	(2,802)	(198)	(146)	(29)	94	(3,081)
Washington	(7,202)	(920)	(528)	(121)	71	(8,701)
Wicomico	(5,523)	(578)	(369)	(92)	126	(6,435)
Worcester	(4,159)	(233)	(228)	(54)	162	(4,513)
Total	**($238,337)**	**($23,085)**	**($18,956)**	**($4,344)**	**($3,717)**	**($288,437)**