

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 1004 (Senators Brinkley and Pipkin)
Budget and Taxation

Budget Reconciliation and Balancing Act

This bill executes a variety of actions that help to balance the fiscal 2011 State budget and mitigate long-term structural imbalances in the State budget by transferring special fund balances to the general fund, redirecting special fund revenues to the general fund, adjusting mandated spending levels, using other funds to cover general fund costs, controlling future cost increases, and shifting State costs to local governments.

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 by \$743.3 million in FY 2010 and by \$518.4 million in FY 2011 due to fund balance transfers and the redirection of special fund revenues to the general fund. General fund expenditures decrease by \$13.3 million in FY 2010 and \$1.5 billion in FY 2011 due to fund swaps, mandate relief, cost controls, and cost shifts. Of the FY 2011 general fund expenditure reductions, \$102.8 million is already assumed in the proposed FY 2011 State budget. Other fund types are also affected. **This bill reduces mandated appropriations.** Future years reflect ongoing effects.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	\$743.3	\$518.4	\$430.7	\$263.6	\$337.8
SF Revenue	\$287.7	(\$45.4)	(\$28.8)	(\$139.0)	(\$195.1)
FF Revenue	\$0	\$27.0	\$28.2	\$29.5	\$30.8
GF Expenditure	(\$13.3)	(\$1,506.9)	(\$1,324.3)	(\$1,538.2)	(\$1,727.9)
SF Expenditure	\$.5	(\$57.3)	(\$404.8)	(\$297.9)	(\$309.5)
FF Expenditure	\$0	(\$32.6)	(\$32.3)	(\$37.7)	(\$43.6)
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	\$1,043.8	\$2,079.7	\$2,175.0	\$2,042.1	\$2,269.2

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

Local Effect: Local revenues from State aid decrease by \$429.8 million in FY 2011, and \$466.7 million in costs are shifted from the State to local governments. Most of the aid reductions and cost shifts continue in future years. In addition, the local share of highway user revenues is reduced permanently and inflation factors in the education aid formulas are repealed. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal overall impact on small businesses statewide. However, some of the bill's provisions could have a meaningful impact on some types of small businesses due to the reduction in funding for various programs. For example, the reduction in funding for the Maryland Agricultural Resource-Based Industry Development Corporation may have a meaningful impact on certain resource-based businesses.

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. In addition, 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. The Governor's plan to balance the fiscal 2010 and 2011 budgets relies on the Budget Reconciliation and Financing Act (BRFA) of 2010 (SB 141/HB 151) to execute many transfers, reductions, and fund swaps. The Administration projects that the BRFA, in conjunction with the annual operating budget, will leave the State with a \$274 million fund balance by the end of fiscal 2011.

This legislation also addresses the general fund budget gap forecast for fiscal 2011. It incorporates most of the provisions of the BRFA. In addition, through either statutory changes or the expression of legislative intent, the bill would further augment general fund revenues and reduce general fund expenditures in fiscal 2011. Assuming all of the provisions in the bill were to be enacted, it is estimated that the State would have a fiscal 2011 end-of-year balance of almost \$1.3 billion.

State Fiscal Effect: The fiscal 2010 and 2011 impact of the bill on the State's general fund is estimated in **Exhibit 1**. The exhibit shows that the bill improves the general fund position by \$756.6 million in fiscal 2010 due almost entirely to one-time fund balance transfers specified in the bill. In fiscal 2011, the general fund outlook improves by another \$2.0 billion aided by \$1.5 billion in general fund expenditure reductions and

\$518.4 million in transfers and other revenue measures authorized by this bill. The two-year impact on the general fund sums to nearly \$2.8 billion.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Balancing Act
(\$ in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>
Revenues		
Fund Balance Transfers	\$681.0	\$358.9
Other Revenue Measures	<u>62.3</u>	<u>159.5</u>
Revenue Subtotal	\$743.3	\$518.4
Expenditures		
Fund Swaps	(13.3)	(400.9)
General Fund Mandate Relief	0.0	(196.2)
Cost Containment	0.0	(445.2)
Cost Shifts to Local Governments	<u>0.0</u>	<u>(464.6)</u>
Expenditure Subtotal	(\$13.3)	(\$1,506.9)
General Fund Improvement	\$756.6	\$2,025.3

General Fund Transfers

The bill authorizes fund balance transfers totaling \$681.0 million in fiscal 2010 and \$358.9 million in fiscal 2011. These transfers are itemized in **Appendix A**. Most of the provisions are also in the BRFA. A brief description of fund transfers provisions differing from those in the BRFA follows:

University System of Maryland Fund Balance Transfers

The bill authorizes the transfer of \$85.1 million from the University System of Maryland (USM) fund balances to the general fund by June 30, 2010, and the transfer of \$61.7 million from USM fund balances to the general fund by June 30, 2011. The fiscal 2011 transfer is \$10 million more than the transfer authorized in the BRFA. An estimated \$529.1 million would remain in the fund balance after the transfers in fiscal 2011, including \$27.7 million in the State-supported portion of the fund balance.

Injured Workers' Insurance Fund Reserve Balance Transfer

The BRFA authorizes the transfer of \$20 million from the Injured Workers' Insurance Fund (IWIF) reserve to the general fund by June 30, 2010. These funds represent the reserves the quasi-governmental unit has accumulated through the course of its

operations as a provider of workers' compensation policies to businesses operating in Maryland and are not State monies previously disbursed to IWIF. This bill does not authorize the transfer.

Automatic Transfers from the State's Central Collection Unit

The State's Central Collection Unit collects delinquent debts, claims, and accounts due to the State government. Monies are deposited in a special fund. Legislation enacted last year (Chapter 487 of 2009) includes a provision that would automatically transfer any balances above 10% to the general fund. The BRFA would undo this action. This bill does not include such a provision; therefore, there would be an automatic transfer in fiscal 2011 and subsequent years. It is estimated that in fiscal 2011 the transfer will be \$22.4 million.

Highway User Grants for Fiscal 2011 and 2012

Baltimore City, the 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 revenue. After deducting Baltimore City's share, the allocations to the counties and municipalities are based on vehicle registrations and road mileage. Chapter 487 of 2009 reduces the local share of highway user revenues by \$101.9 million in fiscal 2011 and transfers the monies to the general fund. This bill transfers an additional \$188.3 million of highway user revenues to the general fund in fiscal 2011 and \$290.3 million to the general fund in fiscal 2012. For both years, this is \$50 million less than the amount transferred under the BRFA. The \$50 million is allocated 11.5% to Baltimore City and 88.5% to the counties and municipalities.

General Fund Revenues

In addition to the numerous fund balance transfers, this legislation also includes several provisions that augment general fund revenues. These provisions are detailed in Appendix A. As with the transfers, most of these items are also in the BRFA. Differences from the BRFA are as follows:

Increased General Fund Share of the Sales Tax

Legislation passed at the 2007 special session (Chapter 3) that increased the sales tax also allocated a portion of the sales tax to the Transportation Trust Fund (TTF). As amended by Chapter 10 of 2008, TTF receives 5.3% of the sales tax for fiscal 2009 to 2013 and 6.5% in fiscal 2014 and subsequent years. This bill would reduce TTF's share to 2.7% in fiscal 2011 and 2012 and shift all of the sales tax to the general fund beginning with fiscal 2013. This would increase general fund revenues by \$104.0 million in fiscal 2011 and by \$303.0 million in fiscal 2015.

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

The Chesapeake Bay 2010 Trust Fund was created by Chapter 6 of the 2007 special session. 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 fund receives a share of the sales and use tax on short-term vehicle rentals and of the motor fuel tax. This bill would permanently shift those revenues to the general fund. General fund revenues increase \$42.1 million in fiscal 2011 and grow to \$47.8 million by fiscal 2015. This action would effectively eliminate the monies for the programs funded through the fund. The BRFA also includes a provision relating to the fund, redirecting \$22.1 million to the general fund in fiscal 2011.

Maryland-mined Coal Tax Credits and Traffic Ticket Surcharge Revenues

There are two provisions in the BRFA relating to revenues that are not in this legislation. The BRFA would accelerate the repeal dates for the Maryland-mined coal tax credit and shift 100% of the revenues generated from a \$7.50 surcharge for certain traffic convictions to the general fund for fiscal 2010 through 2012. State law requires the surcharge receipts to be credited to the State Police Helicopter Replacement Fund and the Volunteer Company Assistance Fund.

General Fund Expenditures

The legislation implements \$400.9 million in general fund reductions resulting from the substitution of special fund spending for the general funds. For many of these reductions there is language in the fiscal 2011 budget bill that makes the reduction contingent on legislation. All of these provisions are also in the BRFA and they are detailed in Appendix A.

In addition, this legislation constrains increases in mandated general fund spending, eliminates programs, shifts the costs of funding certain programs to local governments, and expresses legislative intent with regard to the funding level for various programs. The decrease in general fund spending resulting from these actions is \$1.1 billion in fiscal 2011. This amount increases to almost \$2.0 billion by fiscal 2015. The provisions are summarized in Appendix A. Some are also implemented in the BRFA. A brief description of the provisions relating to general fund spending that differ from those in the BRFA follows:

St. Mary's College – Inflator

Under the statute, general fund support for St. Mary's College grows by inflation, as measured by the change in the implicit price deflator for State and local government. The bill removes the inflation adjustment.

Sellinger Formula – Level Fund at \$717 Per Student – Restrict Eligibility

The Joseph A. Sellinger Program provides funding to 16 qualifying independent colleges and universities. The Sellinger formula uses a percentage of the State's per student funding for public four-year institutions of higher education to determine a per student amount for the independent institutions. Under current law, this percentage is scheduled to phase up to full funding (15.5%) for fiscal 2015 and subsequent years. Under this bill, institutions with endowments larger than \$1 billion would not be eligible for State support through the Sellinger Program. Currently, this would only apply to Johns Hopkins University, which in fiscal 2009 had an endowment valued at almost \$2 billion. Goucher College had the next largest endowment at \$149 million. Based on enrollment, Johns Hopkins currently receives over 40% of the Sellinger funds. The bill sets the grants for the other institutions at \$717 per student, consistent with the funding level for fiscal 2011 proposed in the BRFA. Unlike the BRFA, however, State support per student would not increase beginning in fiscal 2013.

Community College Aid Formula

The Senator John A. Cade Funding Formula makes up the majority of State funding for the 15 locally operated community colleges in Maryland. 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. Under current law, this percentage is scheduled to phase up to full funding (29%) for fiscal 2014 and subsequent years. This bill establishes a minimum per pupil funding amount of \$2,050 per student for fiscal 2011 and future years. The first year is consistent with the BRFA funding for fiscal 2011. However, unlike the BRFA, under this bill the mandated minimum funding per student would not increase beginning in fiscal 2013.

Baltimore City Grant

Chapter 6 of the 2007 special session established a new mandated general fund grant of \$3.1 million for Baltimore City, replacing an existing grant program that was based on a share of security interest filing fee revenue. Since fiscal 1998, Baltimore City had received a grant equal to \$5 of each security interest fee collected pursuant to Chapter 163 of 1996 that revised the allocation of highway user revenues between Baltimore City and the other subdivisions. This bill eliminates the grant.

Cap Disparity Grant

Disparity grants address the differences in the abilities of counties to raise revenues from the local income tax. Counties with per capita income tax revenues below 75% of the statewide average receive grants. Legislation enacted last year (Chapter 487 of 2009) capped each county's grant at the fiscal 2010 amount. This bill would limit a county's grant to 60% of the amount distributed to the county for fiscal 2010. In fiscal 2011, this lowers the total cost of the grants from \$97.1 million to \$63.3 million. Currently, eight jurisdictions receive grants (Allegany, Baltimore City, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico).

Level Fund Police Aid at \$45.4 Million

The police aid formula, established in 1967, provides grants to counties and 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 the number of municipal sworn officers. The Board of Public Works reduced the fiscal 2010 police aid grants by \$20 million. The BRFA funds the grant at the reduced level for two years. This bill would continue to fund the grant at the reduced level through fiscal 2015.

Require Counties to Fund Circuit Court Law Clerks

The bill requires each county and Baltimore City to reimburse the State for 100% of the salary and other expenses to employ one law clerk for each circuit court judge in the county. The costs had been assumed by the State as part of an incremental plan for the State to assume a greater role in funding the circuit courts. The general fund savings in fiscal 2011 would be \$8.4 million.

Health Formula Grants

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 department. The Board of Public Works reduced the fiscal 2010 local health department grants to \$37.3 million. This bill, consistent with the Administration's BRFA, funds the grant at the reduced level for two years. Beginning with fiscal 2013, the grant amount would increase by one year's population growth. Current law increases the grant by one year's population and inflation growth.

Geographic Cost of Education Index Funding Formula

The Geographic Cost of Education Index recognizes that educational resources cost more in some jurisdictions than in others due to factors outside the control of local jurisdictions. Additional funds are provided to cover the higher costs. Currently, 13 school systems receive additional monies through application of the index. The program was not fully funded until fiscal 2010. This legislation repeals the statutory basis for the program. Assuming the corresponding funding for the program is deleted from the fiscal 2011 budget, there is a general fund expenditure reduction of \$126.6 million.

Education Aid Formulas

The foundation formula and the school bus transportation formula have statutory inflation factors. The bill would freeze the foundation formula at \$6,694 per pupil and level fund the portion of the transportation formula that grows by inflation. The foundation program is the State's core education program; it allocates aid per student on the basis of local income and property wealth. Growth in other key education programs is linked to the per pupil foundation amount. Savings in fiscal 2011 reflect the elimination of the 3% minimum floor for the student transportation program. Because the inflation factor did not increase, there is no growth in the per pupil foundation in fiscal 2011. General fund expenditure savings from these provisions grow to \$271.5 million by fiscal 2005.

SEED School Funding

Legislation establishing a Maryland School for Educational Evolution and Development (SEED) passed in 2006. The SEED school provides a residential program for at-risk youth and the statute requires the State to provide up to \$10 million in funding. Of the 160 students enrolled in the school as of September 2009, 73 are from Baltimore City, 31 are from Prince George's County, 21 are from Howard County, and 17 are from Baltimore County. The bill would require the local school boards to provide the funding.

Quality Teacher Incentive Program and National Board Certification Fees

Teachers who teach in schools identified as having comprehensive needs and/or have a certificate issued by the National Board for Professional Teaching Standards receive a stipend ranging from \$1,000 to \$2,000 under these programs, as specified in statute. In addition, the State and local school boards share in the cost of supporting certification fees for teachers pursuing certification from the National Board for Professional Teaching Standards. The bill would eliminate the programs. Assuming the corresponding funding for the programs is deleted from the fiscal 2011 budget, there is a general fund expenditure reduction of \$5.2 million.

Share Teachers Retirement Costs with the Counties

The bill requires counties to pay 50% of the total employer contribution for members of the Teachers' Retirement System (TRS) and Teachers' Pension System (TPS) employed by local boards of education, libraries, and community colleges. The bill exempts TRS/TPS members employed by State institutions, including Baltimore City Community College. State savings from shifting costs to the counties would be \$450.2 million in fiscal 2011.

Baltimore City and Ocean City Convention Centers

The State currently is responsible for funding two-thirds of the operating deficit for the Baltimore City Convention Center and for half of the operating deficit for the Ocean City Convention Center. The bill would not allow general funds to be utilized for this purpose.

Residential Child Care Group Home Rates

The Interagency Rates Committee (IRC) sets rates for providers of residential child care group homes. The rates set by IRC for group homes mostly affect the budgets of the Department of Human Resources and the Department of Juvenile Services.

The bill limits the rates paid for residential child care group homes for fiscal 2011 and each year thereafter to 3% less than the rates in effect as of January 20, 2010. General fund expenditures decrease by an estimated \$10.3 million and federal fund expenditures decrease by an estimated \$4.6 million in fiscal 2011 due to the decrease in rates paid to residential group homes. A portion of these savings have already been incorporated in the proposed fiscal 2011 State budget, which assumes no increases in group home rates. Future years reflect a growing difference between rates that will increase under current law and rates locked at a level 3% less than rates provided in fiscal 2010.

Child Abuse Medical Providers (Maryland CHAMP) Initiative

The Maryland CHAMP Initiative serves to recruit local physicians to gain clinical expertise in the diagnosis and treatment of child maltreatment. Chapter 384 of 2005 established a mandatory funding level of \$225,000 for fiscal 2007 and requires the Governor to annually increase the proposed funding level based on the growth in general fund revenues. Beginning in fiscal 2011, this bill repeals the requirement to increase the funding level based on growth in general fund revenues and requires the Governor's proposed budget to include a general fund appropriation for the program that is not less than the prior fiscal year's general fund appropriation. Both the fiscal 2010 budget and the proposed fiscal 2011 State budget include \$225,000 for the program. Thus, the bill has no impact in fiscal 2011. Assuming the budgeted amounts for the program would

have been adjusted for revenue growth in the absence of the bill, general fund expenditures decrease by \$9,900 in fiscal 2012 and by \$48,500 in fiscal 2015.

Maryland State Arts Council

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. The bill establishes a minimum appropriation of \$6.5 million for the Maryland State Arts Council and eliminates the annual increase based on general fund revenue growth. The State budget includes \$13.5 million for the arts council. Reducing the budget to the minimum established in this bill would be a general fund expenditure reduction of \$7 million. The BRFA eliminates inflationary growth in this program for two years, and the inflationary adjustments resume in fiscal 2013.

Stem Cell Research

The bill repeals statutory provisions relating to the Stem Cell Research Commission and the Stem Cell Research Fund. The fiscal 2011 State budget includes \$12.4 million for stem cell research grants. Since the program's inception in fiscal 2007 funding levels have ranged from \$12.4 million to \$23 million.

Prevailing Wage

The bill repeals the Prevailing Wage Unit and eliminates the \$385,000 minimum appropriation required to be included in the budget by the Governor. The proposed fiscal 2011 State budget includes \$727,070 in general funds for the unit, including 11 regular positions and 1 contractual position. The bill also expresses legislative intent that all funding for the Prevailing Wage Unit be deleted from the budget.

The bill does not repeal the prevailing wage law. The law requires the State and local governments to pay prevailing wages on any public works project that costs more than \$500,000 and that is at least 50% financed with State funds. Although the law remains in effect, the State would have no means to enforce it. Research indicates that prevailing wages are between 2% and 10% higher than market wages. To the extent that contractors on State public works projects do not pay prevailing wages, the cost of State public works projects likely drops. Those savings are mostly reflected in the cost of debt-financed projects, thereby creating more debt capacity for capital projects and/or lower debt service payments from the Annuity Bond Fund.

Retiree Prescription Drugs

The bill discontinues prescription drug coverage for Medicare-eligible retirees under the State Employee and Retiree Health and Welfare Benefits Program. Under current law,

State retirees and beneficiaries receiving a retirement allowance from the State Retirement and Pension System are eligible to enroll for health coverage under the program; current law also requires the State to include prescription drug coverage under the program. Members of the program pay copayments of \$5, \$15, or \$25 per prescription, depending on the drug purchased, up to an annual out-of-pocket maximum of \$700 per family. Retirees who are not yet eligible for Medicare continue to receive prescription drug coverage through the program.

The consulting actuary for the Blue Ribbon Commission to Study Retiree Health Care Funding Options estimates a savings of \$66.0 million annually from discontinuing prescription drug coverage for Medicare-eligible retirees. Those costs are assumed to be allocated 60% general funds (\$39.6 million), 20% special funds, and 20% federal funds (\$13.2 million each). In addition to current savings, there would be a significant reduction in the State's long-term liabilities for retiree health insurance.

The Medicare prescription drug plan is known as Medicare Part D. Retirees who join Medicare Part D will generally pay a monthly premium, which varies by plan, and a yearly deductible. There will also be copays or coinsurance and costs will vary by plan. Generally, the benefits are not as generous as the current State plan for retirees.

Employees Retirement Contributions

The bill raises the employee contribution for members of the Teachers' Pension System and Employees' Pension System (EPS) from 5% of earnable compensation to 7%, beginning July 1, 2010. Projected fiscal 2011 salary levels are \$3.18 billion for EPS members and \$6.15 billion for TPS members. Therefore, member payments increase by \$63.5 million for EPS members and \$123.1 million for TPS members, or a combined total of \$186.6 million.

However, the General Assembly's actuary advises that an increase in employee contribution rates creates an "enhanced" benefit for members. The value of refunded contributions to members who leave State service before vesting increases because their contributions into the system have increased. Therefore, the State's share of the total contribution decreases by only a portion of the increased contribution paid by members. The actuary estimates the reduction to the State's share of the contribution to be approximately 85%. Therefore, EPS member contributions generate a savings of \$54.0 million, and TPS member contributions generate a savings of \$104.6 million.

In conjunction with sharing TRS costs with local governments, the State would realize a general fund savings of \$52.3 million. Local government costs would decrease by a corresponding amount. State savings resulting from EPS member contributions would be allocated 60% general funds (\$32.4 million), 20% special funds, and 20% federal funds (\$10.8 million each).

General Fund Expenditures – Legislative Intent

The bill states that it is the intent of the General Assembly that spending be further restrained in the State budget for fiscal 2011 and future years by implementation of several actions. They include the following:

Limiting University System of Maryland Institutions and Morgan State University to the Fiscal 2007 State Support Per Student

Under this provision, an institution's minimum funding level would only grow by enrollment. Funding at this level would reduce support for the institutions by \$46 million in fiscal 2011. Savings in the out-years are from current services estimates which provide a 4% to 5% increase for higher education.

UMBI and UMCES – Relocation and Consolidation Savings

During fiscal 2010, the University System of Maryland relocated the five University of Maryland Biotechnology Institute (UMBI) centers to various USM institutions. The reorganization should result in an ongoing \$2.8 million general fund savings beginning in fiscal 2011.

There potentially could be savings from consolidation of administrative functions or activities of the University of Maryland Center for Environmental Science (UMCES) with USM colleges and universities. Recognizing the time and effort it will take to consolidate UMCES with the other USM institutions, there could be savings of \$2.3 million in fiscal 2011 and ongoing general fund savings of \$4.6 million starting in fiscal 2012.

USM Hagerstown – Provide Same Per Student Support as the Shady Grove Center

University System of Maryland Hagerstown and the Universities at Shady Grove are both regional higher education centers under the auspices of the University System of Maryland. The bill expresses the intent that University System of Maryland Hagerstown receive the same per student funding as Shady Grove. General fund savings in fiscal 2011 would be about \$1 million, reflecting a reduction in per student funding from \$7,084 to \$3,278.

Critical Areas Commission

The proposed fiscal 2011 State budget includes \$2.1 million for the Critical Areas Commission. Not funding the commission would result in a corresponding general fund expenditure reduction.

The policy impact would be no State enforcement of the Critical Area law, and in general, no cooperative resource protection program between the State and local governments in the 1,000-foot wide Critical Area surrounding the Chesapeake Bay. This is because the commission reviews local development proposals, provides technical planning assistance to local governments, and approves amendments to local plans. There also would be a local impact since approximately \$316,930 in general funds are budgeted for grants to local jurisdictions, as mandated in statute, to implement local Critical Area programs.

Special Crime Grants

The bill expresses the intent that general fund grants administered by the Governor's Office of Crime Control and Prevention be eliminated in light of increased federal funds available for these purposes. The grants total \$21 million in fiscal 2011, and Baltimore City and Prince George's County receive over half of the funds.

Judith P. Hoyer Early Child Care and Education Enhancement Program

This program provides grants to local school systems to offer high quality, full-day child care and education and family support services in or near Title I schools, which have high proportions of low-income students. Grants are also available for private providers of early child care and education to help them pursue accreditation and staff credentialing. The fiscal 2011 budget includes \$10.6 million. This bill expresses the intent that the program be reduced by 50%, which would be a general fund expenditure reduction of \$5.3 million.

Eliminate 500 Executive Branch Positions

Currently, there are 51,405 Executive Branch positions. The bill expresses the intent that 500 additional positions be eliminated. This would represent about 1% of the Executive Branch workforce. Estimated savings are about \$30 million (all funds) based on a cost of about \$60,000 per position. The Governor's proposed fiscal 2011 budget assumes \$10 million in unspecified personnel savings related to attrition and continued evaluation of vacant positions as part of the hiring freeze.

Administrative Efficiencies – Agency Operating Costs/Consolidations

The bill specifies the intent that \$65 million in general operating expenses be reduced through recognition of additional administrative efficiencies. The \$65 million is roughly 10% of State agency general fund spending for operations, exclusive of personnel costs, grants, and payments to community service and health care providers. It would include such items as advertising, phones, vehicles, office equipment, travel, supplies, and various contractual services. There could also be efficiencies from consolidating

agencies. Assuming the general fund share of the savings is 60%, the impact on the general fund would be \$39 million.

Special Fund Revenues and Expenditures

In addition to the general fund impact, the bill decreases special fund revenues by \$45.4 million and decreases special fund expenditures by \$57.3 million in fiscal 2011. These changes are detailed in Appendix A. Most of the bill's provisions affecting special funds involve diverting or transferring special funds to the general fund and substituting special fund spending for general fund expenditures. Most are in the BRFA. Provisions in this bill reducing State general fund personnel expenditures also result in lower special fund expenditures. In addition to the shift of the sales tax from the Transportation Trust Fund to the general fund, several other provisions impact TTF. A summary of these provisions follows.

Highway User Revenues

Under the bill, beginning in fiscal 2013, local governments would receive 18.5% of total highway user revenues. Baltimore City's share would be equal to 8.0% of total highway user revenues. After subtracting the city share from the total allocation for local governments, the remaining funds are distributed to the counties and municipalities through the current formula, which is based on vehicle registrations and road mileage. Under current law, the local government share of highway user revenues will be 28.5% beginning in fiscal 2012. Based on the local share in this bill, highway user grants would total \$329 million in fiscal 2013 versus a current law estimate of \$508 million. The \$178 million difference would be available for State transportation programs and projects. Although the BRFA implements significant reductions in highway user grants for fiscal 2011 and 2012, the grants are fully funded in fiscal 2013.

Mass Transit Farebox Recovery

The bill would increase the farebox recovery for the Maryland Transit Administration's Baltimore area and MARC services from 35% to 50%. Meeting this requirement could involve a combination of expenditure reductions, through the elimination of bus lines with low ridership, and fare increases. Assuming the Mass Transit Administration relies primarily on fare increases to meet the new farebox requirement, it is estimated that core bus fares would increase from \$1.60 to \$2.88 in fiscal 2011 with moderate increases thereafter. Special fund revenues would increase \$70 million in fiscal 2011. The estimate for increased fares does not account for the impact raising fares would have on ridership. Furthermore, the spending figures used are likely understated, meaning that fares would need to increase by a greater amount than currently reflected.

WMATA Operating Subsidy

The bill also reduces the State share of the annual operating subsidy payment to the Washington Metropolitan Area Transit Authority (WMATA) from 100% to 75%. Montgomery and Prince George's counties would become responsible for the remaining 25%. Based upon WMATA's allocation of the fiscal 2011 subsidy, Montgomery County would pay approximately 43% of the local subsidy and Prince George's County would pay 57%. State special fund expenditures for the subsidy would decrease \$56 million in fiscal 2011.

Exhibit 2 summarizes the impact of the bill on the Transportation Trust Fund in fiscal 2011.

Exhibit 2
Estimated Impact on Transportation Trust Fund
SB 1004
(\$ in Millions)

	<u>FY</u> <u>2011</u>	<u>FY</u> <u>2012</u>	<u>FY</u> <u>2013</u>	<u>FY</u> <u>2014</u>	<u>FY</u> <u>2015</u>
Revenues					
50% Fare Box Recovery	\$70	\$79	\$87	\$94	\$103
Increase State Share of Highway User Revenues			178	184	190
Sales Tax to General Fund	-104	-110	-229	-293	-303
Subtotal Revenues	-\$34	-\$31	\$36	-\$15	-\$11
Expenditures					
Reduce State Share of WMATA Subsidy to 75%	-\$56	-\$58	-\$61	-\$63	-\$66
Net Impact to Transportation Trust Fund Revenues	\$22	\$27	\$96	\$48	\$55

Note: Numbers may not sum to total due to rounding.

Local Fiscal Effect: The bill has a significant impact on local governments. The aggregate fiscal 2011 impact is shown in **Exhibit 3**. Aid to local jurisdictions decreases by \$429.8 million. In addition, certain costs currently paid by the State are shifted to local governments, including \$396.3 million in retirement payments the State makes on behalf of local school boards, community colleges, and libraries. Fiscal 2011 impacts are shown by county in **Appendices B1 to B5** (pages 25 to 29).

Exhibit 3
Budget Reconciliation and Balancing Act
Fiscal 2011 Impact on Local Governments
(\$ in Millions)

Reductions in State Aid

County/Municipal Aid	(\$259.4)
Aid to Local Boards of Education	(143.6)
Aid to Community Colleges	(23.0)
Aid to Local Health Departments	(3.7)
Local Aid Subtotal	(\$429.8)

Costs Shifted to Counties

Teacher and Librarian Retirement Costs	\$396.3
WMATA Operating Subsidy	56.0
Circuit Court Clerks	8.4
SEED Residential Boarding School	6.0
New Costs Subtotal	\$466.7

Combined Impact on Local Governments **(\$896.5)**

Note: Numbers may not sum to total due to rounding.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline, Calvert, Howard, Montgomery, and Prince George's counties; Baltimore City; 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 Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland Department of the Environment; 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; Department of Public Safety and Correctional Services; Maryland School for the Deaf; Maryland Supplemental Retirement Plans; St. Mary's College; Maryland Department of Transportation; State Treasurer's Office; University System of Maryland; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2010
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Appendix A

<u>GENERAL FUND REVENUES</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Fund Balance Transfers						
Local Highway User Revenues	159,502,391	188,336,990	290,255,990			
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	61,731,321				
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					
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					
Comm 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					
Maryland Health Care Commission Fund	472,026					
Community Legacy Financial Assistance	449,373					

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
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				
Abandoned Property Administrative Savings		512,000	512,000	512,000	512,000	512,000
Subtotal – Transfer Revenue	681,023,087	358,944,681	277,237,664	(10,233,376)	(1,485,606)	12,000

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Other General Fund Revenue Actions						
Corporate Income Taxes – MDOT/HEIF Shares of \$129m	34,009,560					
Reduce Dedication to Bay 2010 Fund	13,000,000	42,100,000	43,456,000	44,860,000	46,313,000	47,820,000
Special Fund Interest	11,900,000	11,000,000				
Electronic Bingo and Tip Jar Revenues	3,400,000	2,400,000				
Reduce Sales Tax Dedication to TTF		104,000,000	110,000,000	229,000,000	293,000,000	303,000,000
Subtotal – Other GF Revenue Actions	62,309,560	159,500,000	153,456,000	273,860,000	339,313,000	350,820,000
TOTAL GENERAL FUND REVENUES	743,332,647	518,444,681	430,693,664	263,626,624	337,827,394	350,832,000
<u>SPECIAL FUND REVENUES</u>						
Transfer to Education Trust Fund	350,000,000					
Increased Nursing Home Assessments		44,000,000	45,980,000	48,049,100	50,211,310	52,470,819
Attachment Fees for Central Payroll		50,000	50,000	50,000	50,000	50,000
Increase MDOT Farebox Recovery		70,061,433	78,651,130	86,771,656	93,958,969	102,526,594
Reduce Sales Tax Dedication to TTF		(104,000,000)	(110,000,000)	(229,000,000)	(293,000,000)	(303,000,000)
Preservation of Cultural Arts Fund	(3,400,000)	(2,400,000)				
Higher Ed Investment Fund	(7,740,000)					
Special Fund Interest Earnings	(11,900,000)	(11,000,000)				
Reduce Dedication to Bay 2010 Fund	(13,000,000)	(42,100,000)	(43,456,000)	(44,860,000)	(46,313,000)	(47,820,000)
Transportation Trust Fund	(26,269,560)					
TOTAL SPECIAL FUND REVENUES	287,690,440	(45,388,567)	(28,774,870)	(138,989,244)	(195,092,721)	(195,772,587)
<u>FEDERAL FUND REVENUES</u>						
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
<u>GENERAL FUND EXPENDITURES</u>						
<i>Fund Swaps</i>						
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)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
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						
Discontinue Drug Coverage for Medicare-eligible Retirees		(39,600,000)	(42,372,000)	(45,338,040)	(48,511,703)	(51,907,522)
Funding for Private Universities (Sellinger)		(34,932,883)	(38,812,057)	(43,075,747)	(47,747,522)	(55,201,395)
Cap Disparity Grants		(33,819,985)	(48,574,405)	(48,574,405)	(48,574,405)	(48,574,405)
Community College Formula		(23,039,375)	(40,015,655)	(68,099,311)	(99,414,627)	(110,843,120)
Police Aid		(18,955,972)	(19,599,742)	(20,249,949)	(20,906,658)	(21,569,934)
State Employee Deferred Compensation Match		(14,300,000)				
Arts Council		(7,046,000)	(7,642,872)	(8,477,659)	(9,225,078)	(9,964,532)
Education Aid Inflation Factors		(6,515,508)	(24,557,742)	(99,110,802)	(180,803,723)	(271,497,463)
Quality Teacher Incentives		(4,192,000)	(4,192,000)	(4,192,000)	(4,192,000)	(4,192,000)
Aid for Local Health Departments		(3,716,516)	(4,126,516)	(4,428,356)	(4,591,103)	(4,548,888)
Special Baltimore City Grant		(2,575,000)	(3,075,000)	(3,075,000)	(3,075,000)	(3,075,000)
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)			
Repeal Prevailing Wage Unit		(727,070)	(759,061)	(792,460)	(827,328)	(863,730)
Soil Conservation Districts		(400,000)	(400,000)	(400,000)		
St. Mary's College Inflation Adjustment		(302,980)	(604,285)	(928,592)	(1,278,759)	(1,635,684)
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)
Child Abuse Medical Providers (CHAMP)			(9,914)	(23,780)	(36,195)	(48,477)
Subtotal – GF Mandate Relief	0	(196,177,242)	(240,469,389)	(350,593,601)	(472,011,601)	(584,449,650)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<i>Cost Control Measures</i>						
Eliminate GCEI	(126,614,705)	(126,673,702)	(128,787,268)	(131,367,610)	(134,576,673)	
Employee Retirement Contribution – 5% to 7%	(84,700,000)	(92,958,582)	(103,354,885)	(114,876,727)	(127,902,108)	
Eliminate State Employee Pay Increases	(60,342,395)	(62,997,460)	(65,769,348)	(68,663,199)	(71,684,380)	
Higher Education Institutions at FY 2007 Levels	(48,056,002)	(110,895,187)	(152,152,494)	(196,317,763)	(242,089,240)	
\$65 Million in Efficiencies	(39,000,000)	(39,390,000)	(39,783,900)	(40,181,739)	(40,583,556)	
Eliminate 500 Positions	(18,000,000)	(18,792,000)	(19,618,848)	(20,482,077)	(21,383,288)	
Eliminate Crime Control Grants	(20,574,000)	(20,574,000)	(20,574,000)	(20,574,000)	(20,574,000)	
Repeal Stem Cell Program	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)	
Lower Foster Care Group Home Rates	(10,292,790)	(17,047,434)	(24,139,810)	(31,586,805)	(39,406,149)	
Consolidate UMBI and UMCES in USM	(5,100,000)	(7,523,200)	(7,854,221)	(8,199,807)	(8,560,598)	
No General Funds for Convention Centers	(5,404,111)	(5,404,111)	(5,404,111)	(5,404,111)	(4,713,122)	
Freeze Nonpublic Placement Rates	(5,305,732)	(5,586,111)	(5,915,563)	(6,266,860)	(6,637,913)	
Reduce Judy Hoyer Funding	(5,287,500)	(5,287,500)	(5,287,500)	(5,287,500)	(5,287,500)	
No General Funds for Critical Areas Commission	(2,084,601)	(2,115,870)	(2,147,608)	(2,179,822)	(2,212,520)	
Eliminate National Board Certification Fees	(1,040,000)	(1,040,000)	(1,040,000)	(1,040,000)	(1,040,000)	
USM Hagerstown Equal Funding to Shady Grove	(1,000,000)	(1,044,000)	(1,089,936)	(1,137,893)	(1,187,960)	
<i>Subtotal – Cost Control</i>	0	(445,201,836)	(529,729,157)	(595,319,492)	(665,965,913)	(740,239,007)
<i>Cost Shifts to Local Governments</i>						
Teacher and Librarian Retirement	(450,201,014)	(479,434,374)	(521,909,907)	(568,260,668)	(625,446,582)	
Circuit Court Judge Law Clerks	(8,362,133)	(8,730,067)	(9,114,190)	(9,515,214)	(9,933,883)	
Residential Boarding Education Programs (SEED School)	(6,000,000)	(8,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	
<i>Subtotal – Cost Shifts</i>	0	(464,563,147)	(496,164,441)	(541,024,097)	(587,775,882)	(645,380,465)
TOTAL GENERAL FUND EXPENDITURES	(13,258,053)	(1,506,884,376)	(1,324,307,987)	(1,538,231,615)	(1,727,883,220)	(1,973,071,938)
<u>SPECIAL FUND EXPENDITURES</u>						
Chesapeake Bay 2010 Fund	(13,000,000)	(42,100,000)	(43,456,000)	(44,860,000)	(46,313,000)	(47,820,000)
Local Highway User Revenues		(188,336,990)	(290,255,990)	(178,000,000)	(183,700,000)	(189,600,000)
State Share of WMATA Deficit		(56,000,000)	(58,250,000)	(60,500,000)	(63,000,000)	(65,500,000)
Transfer Tax Projects		(54,038,405)				
Bay Restoration Fund Projects		(45,000,000)				
Discontinue Drug Coverage for Medicare-eligible Retirees		(13,200,000)	(14,124,000)	(15,112,680)	(16,170,568)	(17,302,508)
\$65 Million in Efficiencies		(13,000,000)	(13,130,000)	(13,261,300)	(13,393,913)	(13,527,852)
State Employee Pay Increases		(11,889,862)	(12,413,016)	(12,959,189)	(13,529,393)	(14,124,686)
Employee Retirement Contribution – 5% to 7%		(10,800,000)	(12,420,844)	(14,241,480)	(16,287,233)	(18,414,591)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Eliminate 500 Positions		(6,000,000)	(6,264,000)	(6,539,616)	(6,827,359)	(7,127,763)
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)
Increased Fee on Wage Attachments		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	500,000	(57,347,388)	(404,795,850)	(297,887,165)	(309,472,156)	(321,408,581)
<u>FEDERAL FUND EXPENDITURES</u>						
Discontinue Drug Coverage for Medicare-eligible Retirees		(13,200,000)	(14,124,000)	(15,112,680)	(16,170,568)	(17,302,508)
\$65 Million in Efficiencies		(13,000,000)	(13,130,000)	(13,261,300)	(13,393,913)	(13,527,852)
Employee Retirement Contribution – 5% to 7%		(10,800,000)	(12,420,844)	(14,241,480)	(16,287,233)	(18,414,591)
Eliminate State Employee Pay Increases		(6,576,636)	(6,866,008)	(7,168,112)	(7,483,509)	(7,812,783)
Eliminate 500 Positions		(6,000,000)	(6,264,000)	(6,539,616)	(6,827,359)	(7,127,763)
State Employee Deferred Compensation Match		(4,800,000)				
Lower Foster Care Group Home Rates		(4,645,667)	(7,694,386)	(10,895,541)	(14,256,754)	(17,786,027)
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	(32,608,434)	(32,284,238)	(37,734,054)	(43,607,851)	(49,773,522)
<u>REIMBURSABLE FUND EXPENDITURES</u>						
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)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<u>HIGHER EDUCATION EXPENDITURES</u>						
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)
<u>BOND EXPENDITURES</u>						
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 B1
Fiscal 2011 Impact of Budget Reconciliation and Balancing Act on County and Municipal Aid
(\$ in Thousands)

County	Highway User Revenues	Disparity Grants	Police Aid	GOCCP Crime Grants	Baltimore City Grant	Reductions in County and Municipal Aid
Allegany	(\$3,261)	(\$1,653)	(\$307)	\$0	\$0	(\$5,220)
Anne Arundel	(15,010)	0	(2,127)	(174)	0	(17,310)
Baltimore City	(37,380)	(26,972)	(46)	(9,868)	(2,575)	(76,841)
Baltimore	(19,852)	0	(3,305)	0	0	(23,157)
Calvert	(3,284)	0	(262)	0	0	(3,546)
Caroline	(2,271)	(853)	(122)	0	0	(3,245)
Carroll	(6,528)	0	(571)	0	0	(7,099)
Cecil	(3,667)	0	(350)	0	0	(4,016)
Charles	(4,758)	0	(430)	0	0	(5,188)
Dorchester	(2,526)	(809)	(137)	0	0	(3,472)
Frederick	(8,715)	0	(761)	0	0	(9,477)
Garrett	(2,847)	(777)	(83)	0	0	(3,707)
Harford	(7,617)	0	(982)	0	0	(8,599)
Howard	(7,353)	0	(748)	0	0	(8,100)
Kent	(1,304)	0	(73)	0	0	(1,376)
Montgomery	(21,239)	0	(5,075)	0	0	(26,314)
Prince George's	(17,704)	0	(1,750)	(3,761)	0	(23,215)
Queen Anne's	(2,677)	0	(152)	0	0	(2,829)
St. Mary's	(3,645)	0	(318)	0	0	(3,963)
Somerset	(1,504)	(1,878)	(87)	0	0	(3,468)
Talbot	(2,170)	0	(146)	0	0	(2,316)
Washington	(5,554)	0	(528)	0	0	(6,083)
Wicomico	(4,245)	(879)	(369)	0	0	(5,493)
Worcester	(3,227)	0	(228)	0	0	(3,456)
Unallocated	0	0	0	(1,903)	0	(1,903)
Total	(\$188,336)	(\$33,820)	(\$18,956)	(\$15,705)	(\$2,575)	(\$259,392)

Appendix B2
Fiscal 2011 Impact of Budget Reconciliation and Balancing Act on Aid to Local Boards of Education
(\$ in Thousands)

County	GCEI	Transportation Inflation	Judy Hoyer Program	National Board Fees	Quality Teacher Incentives	Total Reduction in Education Aid
Allegany	\$0	(\$123)	(\$176)	\$0	\$0	(\$299)
Anne Arundel	(8,786)	(557)	(57)	0	0	(9,400)
Baltimore City	(21,904)	(452)	(451)	0	0	(22,807)
Baltimore	(5,329)	(700)	(192)	0	0	(6,221)
Calvert	(2,337)	(152)	(283)	0	0	(2,773)
Caroline	0	(71)	(182)	0	0	(252)
Carroll	(2,570)	(260)	(226)	0	0	(3,055)
Cecil	0	(137)	(183)	0	0	(319)
Charles	(3,467)	(277)	(370)	0	0	(4,114)
Dorchester	0	(64)	(180)	0	0	(245)
Frederick	(6,276)	(313)	(249)	0	0	(6,838)
Garrett	0	(82)	(191)	0	0	(272)
Harford	0	(326)	(39)	0	0	(365)
Howard	(4,984)	(402)	(214)	0	0	(5,599)
Kent	(138)	(43)	(172)	0	0	(353)
Montgomery	(31,440)	(862)	(395)	0	0	(32,698)
Prince George's	(38,615)	(938)	(354)	0	0	(39,908)
Queen Anne's	(551)	(91)	(195)	0	0	(836)
St. Mary's	(219)	(172)	(230)	0	0	(621)
Somerset	0	(50)	(5)	0	0	(55)
Talbot	0	(43)	(191)	0	0	(234)
Washington	0	(182)	(245)	0	0	(428)
Wicomico	0	(137)	(223)	0	0	(360)
Worcester	0	(82)	(171)	0	0	(253)
Unallocated	0	0	(112)	(1,040)	(4,192)	(5,344)
Total	(\$126,615)	(\$6,516)	(\$5,288)	(\$1,040)	(\$4,192)	(\$143,650)

Appendix B3
Fiscal 2011 Impact of Budget Reconciliation and Balancing Act on Local Aid by Local Governmental Unit
(\$ in Thousands)

County	County and Municipal Aid	Boards of Education	Community Colleges	Local Health Departments	Total Reduction in Local Aid
Allegany	(\$5,220)	(\$299)	(\$1,266)	\$156	(\$6,629)
Anne Arundel	(17,310)	(9,400)	(2,341)	(38)	(29,089)
Baltimore City	(76,841)	(22,807)	0	(1,450)	(101,098)
Baltimore	(23,157)	(6,221)	(2,818)	(1,206)	(33,401)
Calvert	(3,546)	(2,773)	(137)	109	(6,347)
Caroline	(3,245)	(252)	(281)	85	(3,693)
Carroll	(7,099)	(3,055)	(1,504)	(29)	(11,687)
Cecil	(4,016)	(319)	(1,224)	55	(5,505)
Charles	(5,188)	(4,114)	(439)	36	(9,705)
Dorchester	(3,472)	(245)	(253)	32	(3,938)
Frederick	(9,477)	(6,838)	(544)	20	(16,839)
Garrett	(3,707)	(272)	(1,135)	80	(5,034)
Harford	(8,599)	(365)	(859)	(251)	(10,073)
Howard	(8,100)	(5,599)	(911)	(164)	(14,774)
Kent	(1,376)	(353)	(115)	35	(1,810)
Montgomery	(26,314)	(32,698)	(3,418)	(169)	(62,599)
Prince George's	(23,215)	(39,908)	(2,272)	(1,438)	(66,834)
Queen Anne's	(2,829)	(836)	(329)	47	(3,947)
St. Mary's	(3,963)	(621)	(144)	(70)	(4,799)
Somerset	(3,468)	(55)	(154)	(10)	(3,687)
Talbot	(2,316)	(234)	(256)	94	(2,712)
Washington	(6,083)	(428)	(1,414)	71	(7,854)
Wicomico	(5,493)	(360)	(873)	126	(6,599)
Worcester	(3,456)	(253)	(352)	162	(3,898)
Unallocated	(1,903)	(5,344)	0	0	(7,247)
Total	(\$259,392)	(\$143,650)	(\$23,039)	(\$3,717)	(\$429,798)

Appendix B4
Fiscal 2011 Budget Reconciliation and Balancing Act Cost Shifts
(\$ in Thousands)

County	Teacher Retirement	WMATA Deficit	Circuit Court Clerks	SEED School	Total New Costs for Counties
Allegany	\$4,683	\$0	\$107	\$0	\$4,790
Anne Arundel	33,800	0	639	225	34,665
Baltimore City	36,875	0	1,758	2,738	41,370
Baltimore	44,048	0	959	638	45,645
Calvert	7,809	0	107	75	7,991
Caroline	2,318	0	53	0	2,371
Carroll	11,988	0	160	0	12,148
Cecil	6,918	0	160	0	7,078
Charles	11,349	0	213	0	11,562
Dorchester	2,014	0	53	38	2,104
Frederick	17,280	0	213	0	17,493
Garrett	2,057	0	53	0	2,110
Harford	16,410	0	266	113	16,789
Howard	27,851	0	266	788	28,905
Kent	1,081	0	53	0	1,134
Montgomery	78,844	24,080	1,172	38	104,133
Prince George's	58,955	31,920	1,225	1,163	93,263
Queen Anne's	3,067	0	53	38	3,158
St. Mary's	6,744	0	160	38	6,942
Somerset	1,421	0	53	38	1,511
Talbot	1,784	0	53	0	1,837
Washington	8,817	0	266	38	9,121
Wicomico	6,472	0	160	38	6,669
Worcester	3,754	0	160	0	3,914
Unallocated	0	0	0	0	0
Total	\$396,341	\$56,000	\$8,362	\$6,000	\$466,703

Appendix B5
Fiscal 2011 Impact of Budget Reconciliation and Balancing Act on Local Governments
(\$ in Thousands)

County	State Aid	New County Costs	Total Local Impact
Allegany	(\$6,629)	\$4,790	(\$11,419)
Anne Arundel	(29,089)	34,665	(63,753)
Baltimore City	(101,098)	41,370	(142,468)
Baltimore	(33,401)	45,645	(79,046)
Calvert	(6,347)	7,991	(14,337)
Caroline	(3,693)	2,371	(6,064)
Carroll	(11,687)	12,148	(23,836)
Cecil	(5,505)	7,078	(12,583)
Charles	(9,705)	11,562	(21,267)
Dorchester	(3,938)	2,104	(6,042)
Frederick	(16,839)	17,493	(34,332)
Garrett	(5,034)	2,110	(7,145)
Harford	(10,073)	16,789	(26,863)
Howard	(14,774)	28,905	(43,679)
Kent	(1,810)	1,134	(2,944)
Montgomery	(62,599)	104,133	(166,732)
Prince George's	(66,834)	93,263	(160,096)
Queen Anne's	(3,947)	3,158	(7,105)
St. Mary's	(4,799)	6,942	(11,741)
Somerset	(3,687)	1,511	(5,198)
Talbot	(2,712)	1,837	(4,550)
Washington	(7,854)	9,121	(16,974)
Wicomico	(6,599)	6,669	(13,268)
Worcester	(3,898)	3,914	(7,812)
Unallocated	(7,247)	0	(7,247)
Total	(\$429,798)	\$466,703	(\$896,501)