HB 1294

Department of Legislative Services

Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1294 (The Minority Leader)
Appropriations

Deficit Reduction Financing Act of 2011

This bill executes a variety of actions to help balance the fiscal 2012 State budget and mitigate long-term structural imbalances in the State budget by redirecting special fund revenues to the general fund, controlling future cost increases, reducing mandates, eliminating programs, reducing State agency operating costs, and shifting State costs to local governments.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: General fund revenues increase by $211.9 million in FY 2012 due to the redirection of special fund revenues to the general fund. General fund expenditures decrease by $575.1 million in FY 2012 due to mandate relief, program eliminations, cost control measures, fund swaps, and cost shifts. Other fund types are also affected. Future years reflect ongoing effects. **This bill reduces mandated appropriations.**

($ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	$211.9	$157.1	$165.5	$172.1	$179.6
SF Revenue	($127.7)	($66.9)	($69.0)	($64.1)	($61.2)
FF Revenue	($38.2)	($104.0)	($142.0)	$0	$0
GF Expenditure	($575.1)	($640.4)	($695.1)	($702.6)	($755.0)
SF Expenditure	($201.2)	($159.2)	($167.0)	($108.5)	($112.9)
FF Expenditure	($64.2)	($133.9)	($172.1)	($30.0)	($30.3)
ReimB. Exp.	$1.6	$1.6	$1.6	$1.7	$1.7
Higher Ed Exp.	$8.1	$8.3	$8.4	$8.6	$8.8
Net Effect	$876.9	$909.8	$978.6	$938.8	$1,006.1

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

Local Effect: Local revenues from State aid decrease by $391.9 million in FY 2012, and local revenues from State grants decrease by an additional $10.0 million. In addition, $80.0 million in costs are shifted from the State to local governments. Most of the impacts continue in future years. In addition, local grant revenues could be further affected by provisions that reduce or eliminate funding for certain grant programs. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

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

Background: Although general fund revenues are expected to rebound somewhat in fiscal 2011 and 2012 after two consecutive year-over-year declines, the State still faces a significant gap between ongoing general fund spending and revenues. Federal stimulus funds provided through the American Recovery and Reinvestment Act of 2009 have been integral to the State's ability to meet its education and health obligations over the last two years but will no longer be available in fiscal 2012. These federal funds are covering nearly $1.2 billion in ongoing State spending in fiscal 2011, including $422 million in education aid and $670 million from a temporary enhancement in the federal Medicaid match. The loss of these funds in fiscal 2012, coupled with a sluggish recovery from the national recession, leaves a sizable gap between ongoing general fund spending and revenues.

In December 2010, the Spending Affordability Committee recommended that the fiscal 2012 State budget reduce the State's $2 billion structural imbalance by 33%. In response, the Governor submitted a budget that reduces the structural deficit by nearly 35%, according to estimates by the Department of Legislative Services. The Governor's plan to balance the fiscal 2012 budget relies on the Budget Reconciliation and Financing Act (BRFA) of 2011 (House Bill 72/Senate Bill 87) to execute several transfers, revenue enhancements, reductions, and fund swaps. The Administration projects that the BRFA, in conjunction with the proposed fiscal 2012 budget bill (House Bill 70/Senate Bill 85), will leave the State with a $120 million fund balance by the end of fiscal 2012.

State Fiscal Effect: The bill's impact on the State's general fund in fiscal 2012 is shown in **Exhibit 1**. The table indicates that the bill improves the State's general fund position by $787.0 million in fiscal 2012, mostly due to the redirection of dedicated revenue streams to the general fund, mandate relief, program eliminations, cost control measures, fund swaps, and cost shifts. This relative improvement increases to $934.6 million by fiscal 2016.

Exhibit 1
Net Impact of House Bill 1294 on General Fund
Fiscal 2012
($ in Millions)

General Fund Revenues	
Reduce Sales Tax Dedication to Transportation Trust Fund	$124.0
Redirect Baltimore City Highway User Revenues	60.0
Reduce Dedication to Bay 2010 Trust Fund	23.7
Reduce Dedication to Cultural Arts Fund	4.2
Total General Fund Revenue Impact	$211.9
General Fund Expenditures	
Mandate Relief	($204.0)
Program Eliminations	(165.0)
Cost Control Measures	(178.9)
Fund Swaps and Cost Shifts	(27.2)
Total General Fund Expenditure Impact	($575.1)
Total General Fund Improvement	**$787.0**

A discussion of the provisions in the bill is provided below. Charts identifying and totaling the fiscal 2012 to 2016 fiscal impacts of the provisions by fund type are provided in **Appendix A** (pages 26-29).

Provisions that Enhance General Fund Revenues

The bill includes four provisions that redirect special fund revenues to the general fund. These dedicated revenue relief measures increase the general fund share of the sales and use tax; redirect a portion of Baltimore City's highway user revenues to the general fund; redirect specified revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund; and redirect revenues from the admissions and amusement tax on electronic bingo and tip jars from the Special Fund for the Preservation of Cultural Arts in Maryland to the general fund. In total, these actions increase general fund revenues by $211.9 million in fiscal 2012; the fiscal 2016 increase totals $179.6 million.

Transportation

In addition to the provisions redirecting a portion of the sales and use tax and a portion of Baltimore City's share of highway user revenues to the general fund, this bill includes several other provisions that affect the Transportation Trust Fund (TTF). These provisions are also discussed in this section. The transportation-related provisions in the bill increase general fund revenues by $184.0 million in fiscal 2012 and by $150.0 million in fiscal 2016.

Sales and Use Tax

Legislation passed at the 2007 special session (Chapter 3) that increased the sales and use tax also allocated a portion of the sales tax to 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 reduces TTF's share to 2.2% through fiscal 2013 and to 3.4% annually beginning with fiscal 2014. This results in an increase in general fund revenues of $124.0 million in fiscal 2012, growing to $150.0 million by fiscal 2016; TTF revenues decrease correspondingly.

Highway User Revenues – Baltimore City Share

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. Previously, highway user revenues had been distributed to the Maryland Department of Transportation (70%) and local jurisdictions (30%). The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced the local share by $161.9 million in fiscal 2010 and $101.9 million in fiscal 2011 and transferred the revenues to the general fund. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) further altered the allocations to provide for an ongoing distribution of revenues from the local share to the general fund. Under current law, for fiscal 2012, highway user revenues are required to be distributed as follows: (1) 20.4% to the general fund; (2) 71.5% to TTF; (3) 7.5% to Baltimore City; and (4) the balance to counties and municipalities. This bill redirects $60.0 million from Baltimore City's share to the general fund in fiscal 2012 only. Thus, general fund revenues increase by $60.0 million in fiscal 2012. TTF revenues and expenditures decrease correspondingly.

Mass Transit Farebox Recovery

The bill increases the farebox recovery for the Maryland Transit Administration's (MTA) Baltimore area and Maryland Area Regional Commuter 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 MTA relies primarily on fare increases to meet the new farebox requirement, it is estimated that core bus fares increase from $1.60 to $2.90 in fiscal 2012 with moderate increases thereafter. As a result, TTF revenues increase by $67.0 million in fiscal 2012 and by $100.0 million in fiscal 2016. These estimates do not account for the impact raising fares may have on ridership, however.

Washington Metropolitan Area Transit Authority 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 become responsible for the remaining 25%. TTF expenditures for the subsidy decrease by $60.0 million in fiscal 2012; this savings grows to $71.0 million by fiscal 2016.

Eliminate Funding for Specified Projects

The bill also expresses legislative intent to realize TTF savings by eliminating funding for the Virginia Manor Road project in Prince George's County, the Red Line and Purple Line transit projects, and the Corridor Cities Transitway. Eliminating funding for these four projects reduces TTF expenditures by $48.2 million in fiscal 2012, $58.0 million in fiscal 2013, and $62.5 million in fiscal 2014. Federal funds dedicated to these projects would also be affected.

Exhibit 2 summarizes the overall impact of the bill on TTF in fiscal 2012 through 2016.

Exhibit 2
Estimated Impact on Transportation Trust Fund
HB 1294
($ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues					
Sales Tax to General Fund	($124)	($132)	($139)	($144)	($150)
Increase Farebox Recovery to 50%	67	73	79	90	100
Subtotal Revenues	**($57)**	**($59)**	**($60)**	**($54)**	**($50)**
Expenditures					
Reduce State Share of WMATA Subsidy to 75%	($60)	($63)	($65)	($68)	($71)
Intent to Eliminate Funding for Specified Projects	(48)	(58)	(63)	0	0
Subtotal Expenditures	**($108)**	**($121)**	**($128)**	**($68)**	**($71)**
Net Impact to Transportation Trust Fund	**$51**	**$62**	**$68**	**$14**	**$21**

Note: Numbers may not sum to total due to rounding.
Source: Department of Legislative Services

Dedicated Revenue Relief

Two other provisions redirect special fund revenues to the general fund, as discussed below. Combined, these provisions result in an increase in general fund revenues of an estimated $27.9 million in fiscal 2012 and an estimated $29.6 million in fiscal 2016.

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 level funds the program at $20.0 million annually and redirects any additional revenues to the general fund. As a result, general fund revenues increase by $23.7 million in fiscal 2012; the increase grows to $29.6 million by fiscal 2016. Special fund revenues and expenditures decrease correspondingly.

Admissions and Amusement Tax on Electronic Bingo and Tip Jars

Chapter 661 of 2009 increased the State admissions and amusement tax rate on the net proceeds from electronic bingo and tip jar machines from 20% to 30%. Chapter 661 required that the revenue attributable to the tax rate of 20% be distributed to the general fund, while the revenue attributable to the rate increase be distributed to the Special Fund for the Preservation of Cultural Arts in Maryland. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) altered the distribution of the tax revenues to provide greater support for the general fund in fiscal 2010 and 2011. In addition, $500,000 was placed in a special fund to provide impact aid to local jurisdictions where electronic bingo machines or tip jar machines are located, leaving $500,000 for the preservation of the cultural arts in fiscal 2011. This bill requires 100% of the tax revenue to be distributed to the general fund for fiscal 2012. Thus, general fund revenues increase by $4.2 million in fiscal 2012 only; special fund revenues decrease correspondingly.

Provisions that Reduce General Fund Expenditures

This bill 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 State agencies and programs. The decrease in general fund expenditures resulting from these actions is $575.1 million in fiscal 2012. This amount increases to $755.0 million by fiscal 2016.

State Aid for Primary and Secondary Education

State education aid makes up one of the largest components of the State budget, accounting for $5.7 billion in spending in fiscal 2011 and increasing to a total of $5.9 billion in fiscal 2012 under current laws and assumptions. This bill proposes changes to education spending that result in a $324.9 million decrease from expected fiscal 2012 spending levels. By fiscal 2016, the general fund savings due to reductions in direct State education aid sum to an estimated $400.9 million. Changes to the education aid formulas proposed by this bill – including the use of average daily attendance as the primary enrollment measure, the deletion of funds for the geographic cost of education index (GCEI), the phase-out of the supplemental grants, and a 1% limit on inflation for fiscal 2016 – are described individually below. The phase-out and elimination of some smaller State education aid programs are also discussed in this section.

In addition to the impact on direct State education aid, decreases in State formula funding will slow the growth of teachers' retirement costs, which are paid by the State on behalf of local school systems. The majority of funding for local school systems supports personnel costs, so decreasing State aid to school systems is likely to reduce the number of new personnel hired by school systems or slow the growth in the salaries of existing school staff. Either of these outcomes will decrease the professional salary bases of local school systems and will constrain future retirement costs.

State payments for the teachers' retirement program are calculated using actual school system salary bases from the second prior fiscal year. Lower State aid levels beginning in fiscal 2012, therefore, will affect teachers' retirement payments beginning in fiscal 2014. The estimated decreases in teachers' retirement costs are $33.6 million in fiscal 2014 and $39.7 million in fiscal 2016.

Education aid reductions proposed in the bill, including direct aid and the estimated decline in teachers' retirement costs, are summed in **Exhibit 3**. In total, the reductions amount to an estimated $324.9 million in fiscal 2012 and $440.6 million in fiscal 2016. The fiscal 2012 reductions are shown by county in **Appendix B1** (page 30).

Exhibit 3
Estimated Impact on State Education Aid
Fiscal 2012-2016
($ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Average Daily Attendance	($178.0)	($175.7)	($174.1)	($173.9)	($174.1)
Retirement Impact	0.0	0.0	(18.4)	(19.2)	(19.9)
Cost of Education Index	(120.3)	(121.4)	(123.0)	(124.8)	(128.0)
Retirement Impact	0.0	0.0	(12.8)	(13.7)	(14.5)
Supplemental Grants	(23.2)	(46.5)	(46.5)	(46.5)	(46.5)
Retirement Impact	0.0	0.0	(2.4)	(5.1)	(5.3)
Fiscal 2016 Inflation Cap	0.0	0.0	0.0	0.0	(46.4)
National Board Program	(0.5)	(1.0)	(1.0)	(1.0)	(1.0)
Quality Teacher Incentives	(2.1)	(4.2)	(4.2)	(4.2)	(4.2)
Fine Arts Grants	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Total	**($324.9)**	**($349.6)**	**($383.2)**	**($389.2)**	**($440.6)**
Direct Education Aid	(324.9)	(349.6)	(349.5)	(351.3)	(400.9)
Teachers' Retirement	0.0	0.0	(33.6)	(38.0)	(39.7)

Average Daily Attendance

Currently, the State uses a count of all students enrolled in schools as of September 30 of each school year as its primary enrollment figure for use in State aid formulas. This bill proposes a change to instead use an average daily attendance methodology that deducts the average percentage of students who are absent from school each day from each local school system's enrollment count. Statewide, approximately 94% of students attend school each day, but these percentages range from just less than 90% in Baltimore City to nearly 96% in Howard County. Using average daily attendance reduces enrollment counts in every school system, and results in a decrease in State education aid of $178.0 million in fiscal 2012. Future year decreases in formula aid are relatively stable and reflect the expectation that school systems will make efforts to improve attendance in response to the change in enrollment count methodology. Teachers' retirement costs are also affected beginning in fiscal 2014.

Geographic Cost of Education Index

GCEI is a discretionary component of the State aid formulas that provides additional funding to school systems where educational resource costs are above the State average. Since funding for the program began in fiscal 2009, the State has provided aid through the GCEI to 13 local school systems each year. This bill eliminates discretionary spending for the GCEI, which (after accounting for reductions due to the use of average daily attendance) saves $120.3 million in fiscal 2012. The future-year impact of the elimination of the program includes a projected impact on teachers' retirement costs beginning in fiscal 2014.

Supplemental Grants

Chapter 2 of the 2007 special session established supplemental grants as a means to ensure that school systems continue to receive at least modest increases in State aid in fiscal 2009 and 2010, when the per pupil amount used in most of the State aid formulas was frozen in an effort to constrain State costs. The grants were calculated as planned in fiscal 2009 and 2010 and were then set to continue at the fiscal 2010 level in all future years. The proposed fiscal 2012 State budget assumes $46.5 million for the grants, the same amount provided in fiscal 2011. This bill reduces the grants by half in fiscal 2012, saving $23.2 million, and eliminates them entirely in fiscal 2013 and subsequent years.

Cap on Fiscal 2016 Per Pupil Amount

Due to the need to constrain State education aid, budget reconciliation legislation from the last two legislative sessions (Chapter 487 of 2009 and Chapter 484 of 2010) limited growth in the per pupil foundation amount that is used in several of the large State aid formulas to 1% in fiscal 2012 through 2015. In addition, growth in student transportation grants was likewise capped at 1%. This bill extends the 1% caps for an additional year, saving an estimated $46.4 million in general fund spending in fiscal 2016.

Teaching Grants

The State and Local Aid Program for Certification by the National Board for Professional Teaching Standards was established by Chapter 179 of 1997 and pays the national board certification fees for Maryland teachers pursuing national accreditation. The State pays two-thirds of the certification fee, and the local school system that employs the teacher pays one-third. The State Board of Education may also pay for up to one retake of an unsuccessful entry on the national assessment. Current law allows the State board to select up to 1,000 teachers to participate in the program annually. Although this bill eliminates the program, it requires the State board to select up to 500 teachers to participate in the program in fiscal 2012, saving $520,000 or half of the $1.0 million appropriation proposed for fiscal 2012. Special fund revenues, which are collected from local boards of education for their share of the national board certification fees, will also decline, as will the related special fund expenditures.

The Quality Teacher Incentive Act of 1999 (Chapter 600) established State stipends and bonuses that can be earned by qualifying Maryland classroom teachers. The stipends range from $1,000 to $2,000. The proposed fiscal 2012 State budget includes $4.2 million for the program. Even though this bill eliminates the program, qualifying teachers will still receive 50% of the stipend amounts in fiscal 2012, saving $2.1 million.

The bill also expresses intent to constrain spending by eliminating Fine Arts Grants. The grants have been reduced in recent years by the Board of Public Works in fiscal 2010 and the General Assembly in fiscal 2011. The proposed fiscal 2012 State budget includes $731,530 for the grants, the same amount that was appropriated in fiscal 2011. The grants are used to train instructional personnel to teach art and to integrate art into school curricula. If the intent language is followed, general fund expenditures will decrease by the budgeted amount in fiscal 2012 and subsequent years.

State Funding for Higher Education

The bill proposes reductions to State funding for higher education that total an estimated $86.3 million in fiscal 2012. The reductions affect all sectors of higher education – the public four-year institutions, community colleges, and private institutions – as well as several scholarship programs and two educational grant programs.

State funding reductions for higher education proposed in the bill, including both statutory changes and expressions of intent, are summed in **Exhibit 4**. In total, the reductions amount to an estimated $86.3 million in fiscal 2012 and $173.3 million in fiscal 2016.

Exhibit 4
Estimated Impact on State Funding for Higher Education
Fiscal 2012-2016
($ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
USM Institutions of Higher Ed	($52.6)	($53.9)	($55.1)	($56.4)	($57.6)
Morgan State University	(3.6)	(3.8)	(3.9)	(4.0)	(4.2)
St. Mary's College of Maryland	(0.9)	(0.9)	(0.9)	(0.9)	(1.0)
UMCES Consolidation	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)
USM System Office	(8.1)	(8.3)	(8.4)	(8.6)	(8.8)
Higher Education Formulas					
Cade	0.0	(25.8)	(40.5)	(53.8)	(67.9)
BCCC	0.0	(1.4)	(1.8)	(2.2)	(2.7)
Sellinger	0.0	(2.1)	(4.3)	(6.7)	(9.2)
Keep MD Colleges Affordable	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Scholarships					
Senatorial	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)
Delegate	(5.2)	(5.4)	(5.5)	(5.7)	(5.8)
Graduate and Professional	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Educational Grants					
Complete College Grants	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Harry Hughes Center	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Total	**($86.3)**	**($117.4)**	**($136.6)**	**($154.4)**	**($173.3)**

BCCC: Baltimore City Community College
UMCES: University of Maryland Center for Environmental Science
USM: University System of Maryland

Public Four-year Institutions of Higher Education

The bill reduces the fiscal 2012 statutory funding level for St. Mary's College of Maryland to 95% of the amount received in fiscal 2011. In addition, intent language in the bill proposes a reduction of at least 5% in general fund support for constituent institutions of the University System of Maryland (USM) and Morgan State University (MSU). The fiscal 2012 general fund expenditure reduction for St. Mary's College of Maryland is estimated at $886,000; assuming the intent language is followed, general fund expenditures decrease by an additional $52.6 million for USM institutions and $3.6 million for MSU in fiscal 2012. Savings increase in subsequent years.

University of Maryland Center for Environmental Science

In addition, the bill expresses intent to achieve further savings by consolidating the activities of the University of Maryland Center for Environmental Science (UMCES) with the appropriate University of Maryland institutions. The proposed fiscal 2012 State budget includes $18.1 million in State general funds for UMCES, but most of this funding will be shifted to other USM institutions if the intent language is followed. Recognizing the time and effort it will take to consolidate UMCES with the other USM institutions, there could be savings of $2.0 million in fiscal 2012, growing to $2.3 million by fiscal 2016.

University System of Maryland System Office

Intent language also suggests reducing general fund support for the USM System Office by $8.1 million and requiring constituent USM institutions to fund the office. This action would result in a fund swap, replacing a portion of the State's annual general fund appropriation to the system office with USM higher education expenditures.

Community Colleges

Maryland has 15 local community colleges that receive State funding under the Senator John A. Cade Funding Formula. Total funding for the Cade formula is based on per pupil State support for the public four-year institutions and uses a percentage of this per pupil amount to determine State aid to the local colleges. Under current law, the percentage is scheduled to restart a phase-up to 29% that will begin at 21% in fiscal 2013 and will continue through fiscal 2021. Instead, the bill proposes using 19.5% in fiscal 2013 and all subsequent years. There is no impact on funding for community colleges in fiscal 2012, but funding for the Cade formula will decrease by an estimated $25.8 million in fiscal 2013, climbing to $67.9 million by fiscal 2016. The expected decreases to Cade formula funding include the interaction of proposed 5% reductions to State support for public four-year institutions, as described above.

Most community colleges in the State are operated locally, but Baltimore City Community College (BCCC) is a State agency and receives funding through a separate statutory formula established for the college. The formula is tied to funding for public four-year institutions, granting a percentage of per pupil State support for selected public four-year institutions for each full-time equivalent student at BCCC. Under current law, this percentage is phasing up to 68.5% by fiscal 2021. The bill instead sets the percentage at 64.5% for fiscal 2013 and all subsequent years. The change does not affect funding for BCCC in fiscal 2012, which is set in statute at $40.2 million, but it is expected to reduce general fund expenditures by $1.4 million in fiscal 2013 and by $2.7 million in fiscal 2016. This estimate includes the interaction of proposed decreases to State funding for public four-year institutions.

In addition to the BCCC and Cade formulas, the proposed fiscal 2012 State budget includes $5.0 million for a new grant program (Keep Maryland Community Colleges Affordable Grant) to provide aid to community colleges that hold tuition rate increases to 3% or less for the 2011-2012 academic year. The program will distribute grants among the participating colleges based on State-eligible for-credit enrollments. The bill expresses intent that the funding provided for this program be deleted, saving $5.0 million annually beginning in fiscal 2012.

Private Colleges and Universities

Qualifying private colleges and universities in Maryland receive State funding through the Joseph A. Sellinger Formula. Like the Cade and BCCC formulas, funding is based on State support for the public four-year institutions. State funding for the Sellinger formula is set in statute for fiscal 2012 but is scheduled to begin phasing up in fiscal 2013. Instead of starting a phase-up, this bill freezes the percentage used in the formula at 10% for fiscal 2013 and all subsequent years. The general fund savings for fiscal 2013 is estimated at $2.1 million and includes the interaction of proposed 5% reductions to funding for public four-year institutions. The savings increase to $9.2 million in fiscal 2016.

Scholarship Programs

The bill eliminates legislative scholarships, saving $11.7 million in fiscal 2012 and $12.3 million in fiscal 2016. State senators and delegates are authorized to provide a certain amount in scholarships during each four-year term. Scholarships are given to Maryland students attending public or private institutions of higher education in the State or, if a student’s program of study is not available in a Maryland institution or appropriate accommodations are not available at a Maryland institution, an institution in another state. Students chosen for Senatorial Scholarships must demonstrate a definite financial need. Maryland delegates may select the recipients of Delegate Scholarships on any basis they consider appropriate. Senators and delegates may also choose to have the Maryland Higher Education Commission (MHEC) distribute scholarships to students in their districts. The Senatorial Scholarship Program receives $6.5 million annually. The proposed fiscal 2012 budget includes $5.2 million for the Delegate Scholarship Program, but this amount will increase in future years in accordance with growth in tuition rates.

The Maryland Graduate and Professional Scholarship Program is likewise eliminated by the bill. This program provides scholarships of $1,000 to $5,000 annually to graduate and professional students who have a financial need and are seeking degrees in specified majors, including dentistry, law, medicine, nursing, pharmacy, social work, and veterinary medicine. Eliminating the program saves $1.2 million annually beginning in fiscal 2012.

Educational Grants

The bill also expresses intent to eliminate funding for the two educational grants budgeted within MHEC: the Complete College Maryland Grant and the Harry Hughes Center. The proposed fiscal 2012 State budget includes $1.0 million for the Complete College Grant and $200,000 for the Harry Hughes Center. The Harry Hughes Center for Agroecology at the University of Maryland brings together diverse interests from the agricultural, forestry, and environmental communities for the purpose of retaining Maryland's working landscapes and the industries they support while protecting and improving the health of the Chesapeake Bay and its tributaries. Complete College Maryland grants would be a new initiative in fiscal 2012. As envisioned, the competitive grants would be available to institutions of higher education in Maryland as well as partnerships between higher education institutions and high schools or nonprofit organizations. Grants from the program will support research-based college completion best practices to achieve Maryland's goal of 55% degree attainment by 2025.

Economic Development

A number of the bill's provisions aim to reduce general fund expenditures by reducing or eliminating funding for existing grant, tax credit, and other programs that relate to economic development. Combined, these provisions reduce general fund spending by an estimated $34.2 million in fiscal 2012 and by an estimated $24.3 million in fiscal 2016.

Stem Cell Research

The Stem Cell Research Fund was established by Chapter 19 of 2006 to support stem cell research and development at Maryland research institutions or private companies. The Stem Cell Research Commission reviews the proposed research process for applicant projects and makes final decisions about research grant awards. This bill repeals statutory provisions relating to the Stem Cell Research Commission and the Stem Cell Research Fund. The proposed fiscal 2012 State budget includes $12.4 million for stem cell research grants. Thus, general fund expenditures decrease by $12.4 million in fiscal 2012; assuming the program otherwise would have been level funded, there is an ongoing savings of $12.4 million annually. Since the program's inception in fiscal 2007, annual funding levels have ranged from $10.4 million to $23.0 million.

Sustainable Communities Tax Credit

The Sustainable Communities Act of 2010 (Chapter 487) reestablished the Heritage Structure Rehabilitation Tax Credit Program as the Sustainable Communities Tax Credit Program; extended the program's termination date through fiscal 2014; and made several other changes. The heritage tax credit program was part of a larger piece of legislation enacted in 1996 that was targeted toward heritage preservation and tourism.

Under current law, the Governor is required to include in the budget bill an appropriation to the program's reserve fund through fiscal 2014. The proposed fiscal 2012 State budget includes $10.0 million in general funds for the reserve fund. This bill repeals the tax credit for commercial rehabilitations and repeals the mandatory appropriation to the reserve fund. Thus, general fund expenditures decrease by $10.0 million annually from fiscal 2012 through 2014.

Under current law, the Maryland Department of Planning (MDP) is authorized to charge a fee, not to exceed 1% of the estimated value of credits issued, for administrative costs. The proposed fiscal 2012 State budget includes $100,000 in special funds for program administration. Repealing the commercial tax credit program reduces special fund revenues and expenditures by $100,000 annually through fiscal 2015; it is assumed that, in the absence of the bill, MDP will collect fees and administer the program in fiscal 2015 for projects that have already been approved but have not been completed. Also, under the bill, MDP continues to administer the residential tax credit program and the federal historic tax credit, requiring $100,000 in general fund expenditures annually through fiscal 2015 to cover administrative costs.

No New General Funds for Economic Development Grant and Loan Programs

The bill expresses legislative intent that general fund savings of $9.4 million be realized by providing no new general funds for economic development grant and loan programs. The proposed fiscal 2012 State budget includes a total of $9.4 million in general funds for economic development grant and loan programs as follows: (1) $4.5 million for the Maryland Economic Development Assistance Authority and Fund, which provides financial assistance to local jurisdictions and businesses; (2) $2.5 million for the Maryland Small Business Development Financing Authority, which provides financing assistance to businesses that do not meet the established credit criteria of financial institutions; and (3) $2.4 million for the Maryland Industrial Development and Financing Authority, which provides support to manufacturing, industrial, and technology businesses. The savings continue in future years.

Biotechnology Investment Tax Credit

Chapter 99 of 2005 established the Biotechnology Investment Tax Credit Program, which allows a tax credit of up to 50% of the amount contributed to a qualified Maryland biotechnology company. The proposed fiscal 2012 State budget includes an $8.0 million appropriation to the reserve fund for the program. This bill expresses legislative intent to reduce the appropriation for the reserve fund by 25%. Thus, assuming $8.0 million in general funds would have been provided for the program each year, general fund expenditures decrease by $2.0 million annually beginning in fiscal 2012.

Maryland Zoo in Baltimore

The State has provided the Maryland Zoo in Baltimore with a variety of grants to support its general operations over the past 19 years. The proposed fiscal 2012 State budget includes $5.2 million for the zoo's lease payment from the Board of Public Works. This bill expresses legislative intent that the Board of Public Works appropriation be reduced by 10%. Thus, general fund expenditures decrease by approximately $520,000 annually. It should also be noted that State funding for educational organizations includes $547,251 for zoo operations in the proposed fiscal 2012 State budget.

Local Grants and Cost Shifts

Several provisions shift costs to local governments or reduce funding for grants to local governments. Combined, the provisions reduce general fund spending by $22.3 million in fiscal 2012 and by an estimated $21.7 million in fiscal 2016.

State Retirement Agency Administrative and Operating Costs

The bill requires State agencies and local school boards, library boards, and community college boards to pay a share of the administrative and operating costs of the Board of Trustees of the State Retirement and Pension System and the State Retirement Agency based on a *pro rata* amount per employee of the State agency or local board in the retirement systems. Local boards and other entities using the State retirement system would pay their shares of the costs in four quarterly installments. In fiscal 2012, the amount charged per employee would be an estimated $163. It is assumed that the funds would come in as special fund revenues and would be expended in place of general funds. The provision saves an estimated $17.0 million in general funds in fiscal 2012 by shifting costs to local boards, increasing to $18.4 million by fiscal 2016. As the largest users of the system, local boards of education will pay a significant portion of this total.

Although State agencies will also be required to pay retirement agency administrative costs, the bill specifies a method for increasing agency appropriations to enable agencies to support the new costs. Therefore, no further savings is associated with shifting retirement agency costs to other State agencies.

Baltimore City and Ocean City Convention Centers

The Maryland Stadium Authority (MSA) is responsible for funding two-thirds of the operating deficit for the Baltimore Convention Center through December 31, 2014, and for half of the operating deficit for the Ocean City Convention Center. MSA is also required to contribute specified amounts to the capital improvement funds of both centers. The proposed fiscal 2012 State budget includes $4.1 million for MSA's required contribution to the Baltimore Convention Center operating deficit and capital improvement fund and $1.3 million for MSA's contribution to the Ocean City Convention Center operating deficit and capital improvement fund. This bill limits State funding to no more than 50% of any obligation of MSA for annual operating deficits or a capital reserve fund. Thus, general fund expenditures decrease by $2.7 million annually through fiscal 2014, $1.7 million in fiscal 2015, and $0.7 million in fiscal 2016. The out-year estimates reflect the December 13, 2014 termination date of MSA's obligation with respect to the Baltimore Convention Center. It is assumed that the local jurisdictions, specifically Baltimore City and Ocean City, will be forced to pay these costs if State contributions for the centers drop below their current law levels.

Special Crime Grants

The Governor's Office of Crime Control and Prevention (GOCCP) administers a number of local law enforcement grants distributed to local government agencies and nonprofit organizations for various criminal justice and law enforcement initiatives. This bill expresses legislative intent that general fund grants for GOCCP, not including funding for the State Aid for Police Protection formula, be reduced by 10%. Reducing the special crime grants by 10% results in a decrease in general fund expenditures of $2.0 million annually. The proposed fiscal 2012 State budget includes $20.3 million for these special crime grants.

Parole Hearings

The bill requires counties (excluding Baltimore City) to pay the costs associated with parole release hearings held for inmates in local detention centers, including the costs of pre-parole investigations for these inmates. It is assumed that the county reimbursements will enter the State budget as special fund revenues and will be expended in place of general funds. In fiscal 2012, this provision is expected to generate general fund savings of $575,000, growing to an estimated $623,000 in fiscal 2016.

State Agency Administrative Costs

The bill includes a number of additional provisions expressing the intent to reduce State agency costs, eliminate programs and positions, and realize additional administrative savings. Combined, these provisions will save an estimated $93.4 million in general funds in fiscal 2012, assuming the budget is reduced to reflect the bill's intent. These provisions also involve other fund types, since State agency budgets often include special and federal funds. The general fund savings generated by individual provisions are shown in **Exhibit 5**.

Exhibit 5
Estimated General Fund Savings from Additional State Agency Intent Language
Fiscal 2012-2016
($ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Eliminate Employee Bonus	($39.4)	$0.0	$0.0	$0.0	$0.0
Eliminate One-year Vacancies	(18.1)	(18.6)	(19.4)	(20.3)	(21.4)
2% Operating Cost Reductions	(12.3)	(12.5)	(12.6)	(12.7)	(12.9)
Judiciary Operating Expenditures	(4.6)	(4.7)	(4.7)	(4.8)	(4.8)
Statewide Personnel System	(4.1)	(21.4)	(15.0)	(5.9)	0.0
2% Office of the Secretary Reductions	(3.4)	(3.4)	(3.4)	(3.5)	(3.5)
Executive Branch Salaries	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)
Advertising Funding	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)
Recover Attorney General Costs	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)
Parole and Probation Turnover	(1.5)	0.0	0.0	0.0	0.0
Electricity Spending	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)
Out-of-state Travel Moratorium	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)
Maryland Public Television	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Delivery Unit/Health Policy Group	(0.8)	(0.9)	(0.9)	(0.9)	(1.0)
Employee Health Benefits	0.0	(30.0)	(31.8)	(33.7)	(35.7)
Total General Fund Savings	**($93.4)**	**($100.7)**	**($97.2)**	**($91.4)**	**($89.0)**

No One-time Bonus for State Employees

The proposed fiscal 2012 State budget includes $39.4 million in general funds for a one-time bonus payment to all State employees. The bill states intent to not make these payments. Eliminating the bonus payment would result in a corresponding decrease in general fund expenditures. The Department of Budget and Management estimates total savings of $55.7 million in all funds. There is no savings after fiscal 2012.

Eliminate Positions Vacant for More than One Year

Intent language in the bill suggests eliminating State positions that have been vacant for more than one year. As of January 1, 2011, this represented approximately 543 State positions. General fund savings from the position eliminations total an estimated $18.1 million in fiscal 2012, growing to $21.4 million by fiscal 2016. Special and federal fund expenditures also decrease by a combined total of $7.8 million in fiscal 2012.

Reduce State Agency Operating Budgets and Office of Secretary Budgets

The bill proposes, through intent language, to reduce State operating budgets and Office of the Secretary budgets by 2%. The proposed fiscal 2012 State budget includes a total of $617.4 million in general fund expenditures for State agencies, including $168.2 million in Office of the Secretary budgets for cabinet level departments. Implementing an across-the-board reduction of 2% to agency budgets is anticipated to result in general fund savings of $12.3 million in fiscal 2012, growing to $12.9 million by fiscal 2016. Reducing all Office of the Secretary budgets by an additional 2% would result in another $3.4 million in general fund savings in fiscal 2012, growing to $3.5 million by fiscal 2016. Special and federal fund spending for agencies will also be reduced.

Judiciary Operating Expenditures

The bill suggests realizing $4.6 million in savings by reducing operating expenditures and funding for retired judges and new bailiffs in the Judiciary. The savings will grow to an estimated $4.8 million by fiscal 2016.

Eliminate Funding for Statewide Personnel Information Technology Project

Chapter 487 of 2009 required the State to fund the development, acquisition, and implementation of a new statewide human resources information technology system. Eliminating funding for the project, as suggested in the bill, will result in a decrease in general fund expenditures of $4.1 million in fiscal 2012 and reductions of an additional $42.3 million from fiscal 2013 through 2015. Special and federal fund expenditures will also decrease.

Cap All Executive Branch Salaries at $1 Below Governor's Salary

The bill expresses the intent to cap all Executive Branch salaries at no more than $1 below the Governor's salary, which is currently $150,000. Capping all Executive Branch salaries at $1 below the Governor's Salary results in a decrease in general fund expenditures of an estimated $1.9 million in fiscal 2012, growing to $2.3 million in fiscal 2016. Special and federal fund expenditures are also affected. Public institutions of higher education have personnel autonomy, so there would be no impact on higher education expenditures.

Reduce State Agency Advertising and Promotion Budgets

The bill expresses intent that a general fund savings of at least $1.9 million be realized by reducing State agency advertising and promotion budgets. The savings will grow to an estimated $2.0 million by fiscal 2016.

Reduce General Fund Appropriations for Legal Counsel and Advice from the Attorney General

The bill expresses intent to reduce general fund appropriations for legal counsel and advice from the Attorney General by recovering these costs from State agencies. This would result in a decrease in general fund expenditures by an estimated $1.6 million in fiscal 2012 and $1.7 million by fiscal 2016. It is assumed that reimbursable funds from State agencies will instead be used to support these efforts, further constraining State agency budgets.

Increase Budgeted Turnover for Division of Parole and Probation

The bill expresses intent that savings of $1.5 million be realized by increasing budgeted turnover for the Division of Parole and Probation to be consistent with the current vacancy rate. This provision is assumed to have no impact after fiscal 2012.

Reduce State Electricity Costs by 5%

Reducing State electricity costs by 5%, as suggested by intent language in the bill, should result in general fund savings of approximately $1.5 million in fiscal 2012 and $1.6 million in fiscal 2016. Special and federal fund expenditures will also decrease.

Moratorium on Out-of-state Travel

The bill expresses intent to reduce spending through a moratorium on out-of-state travel. Out-of-state travel is expected to result in general fund expenditures of an estimated $1.1 million in fiscal 2012 and 2013 and $1.2 million annually thereafter; thus, implementing a moratorium will result in a corresponding decrease in general fund expenditures. Special and federal fund expenditures will also be affected.

Maryland Public Television

The bill expresses intent that the budget for Maryland Public Television be reduced by $1.0 million. If the intent language is followed, it is assumed that general fund expenditures will decrease by $1.0 million annually.

Governor's Delivery Unit and Health Care Reform Policy Planning Group

The bill suggests eliminating five positions from the Governor's Delivery Unit and funding for activities and personnel related to the Governor's Health Care Reform Policy Planning Group. In 2008, the Governor created the Delivery Unit as an extension of StateStat to work with State agencies to align State and federal resources around several strategic and visionary goals to improve the quality of life in Maryland. The proposed fiscal 2012 State budget includes funding to establish a Health Care Reform Policy Planning Group in the Office of the Governor. Eliminating five positions from the Governor's Delivery Unit and funding for the Governor's Health Care Reform Policy Planning Group results in a general fund savings of an estimated $839,000 in fiscal 2012, growing to $1.0 million by fiscal 2016.

Public Employees' and Retirees' Benefit Sustainability Commission

The bill expresses intent that, beginning in fiscal 2013, the State realize general fund savings of at least $30.0 million in State employee and retiree health benefits by implementing changes consistent with the recommendations of the Public Employees' and Retirees' Benefit Sustainability Commission. In its interim report, the commission noted that health benefits provided to State employees in Maryland exceed the benefits provided to state employees in other states. The commission recommended that Maryland's benefits be aligned more closely with its peer states. Implementing the changes recommended by the commission results in general fund savings of $30.0 million in fiscal 2013, growing to an estimated $35.7 million by fiscal 2016. Special and federal fund expenditures will also decrease.

Health Programs

The bill expresses legislative intent to reduce funding for three health-related programs: funding for the Prince George's County Hospital, regional institutes for children and adolescents (RICAs), and Medicaid funding for abortions. If the intent language is followed, general fund expenditures will decline by an estimated $12.5 million in fiscal 2012.

Phase Out State Funding for Prince George's County Hospital

In light of the failure to reach a long-term, comprehensive solution to the control and operation of the Prince George's County Hospital, the bill expresses intent that State funds for the operation of the hospital be limited to $10.0 million for fiscal 2012, $5.0 million for fiscal 2013, and that no funds be provided thereafter. This action would result in a decrease in general fund expenditures of $5.0 million in fiscal 2012, $10.0 million in fiscal 2013, and $15.0 million in fiscal 2014 and 2015. Current expectations are that approximately $15.0 million will be spent annually to support the hospital from fiscal 2012 through 2015.

Reduce Residential Capacity at Regional Institutes for Children and Adolescents

The bill expresses intent that savings of $4.2 million be realized by reducing residential capacity at the State's two RICAs. RICAs provide mental health treatment, education, and rehabilitation services to children and adolescents through residential and day programs. This level of savings would be achieved by reducing capacity at RICA-Baltimore and the John L. Gilder RICA to 16 beds each, while keeping the day programs intact. The RICAs currently have residential capacities of 36 and 32 adolescents, respectively, and the Mental Hygiene Administration has documented the existence of surplus capacity in the residential treatment centers it uses. The general fund savings would grow to an estimated $4.5 million by fiscal 2016.

Eliminate State Funding for Medicaid Abortions

The Maryland Medical Assistance Program (Medicaid) pays for abortions in limited situations. The bill expresses intent to eliminate all State funding for abortions through Medicaid, which is expected to save an estimated $3.3 million in fiscal 2012. In future years, the savings are offset by Medicaid costs to cover additional births and children.

Employment Standards and Rights

Employment Standards Unit and Prevailing Wage Unit

The Employment Standards Unit within the Department of Labor, Licensing, and Regulation assists Maryland workers in collecting wages due to them. The Prevailing Wage Unit administers the Construction Prevailing Wage Law and the Maryland Living Wage Law. The bill expresses legislative intent that the Employment Standards Unit and the Prevailing Wage Unit be limited to the minimum statutorily required appropriations. Under current law, the Governor is required to include at least $385,000 for the Prevailing Wage Unit and $315,000 for the Employment Standards Unit. The proposed fiscal 2012 State budget includes $704,947 in general funds for the Prevailing Wage Unit and $1.1 million ($369,452 in general funds and $776,090 in special funds) for the Employment Standards Unit. Thus, reducing the programs to their minimum statutorily required appropriations results in a decrease in general fund expenditures of $689,400 annually and a decrease in special fund expenditures of $461,100 annually.

Living Wage Law

Chapter 284 of 2007 made Maryland the first state to require State service contractors to pay their employees a "living wage." This bill repeals the State's living wage for employees of State service contractors. As a result, contract costs for service contracts may decrease by between 7% and 19%, or between $945,000 and $2.6 million over several years beginning in fiscal 2012; however, the distribution of those savings to general, special, and federal funds cannot be reliably estimated. For purposes of this fiscal and policy note, assuming savings of 10%, and assuming that 60% of the savings accrues to the general fund, 20% accrues to special funds, and 20% accrues to federal funds, general fund expenditures for contracts decrease by $810,000 in fiscal 2012, special fund expenditures decrease by $270,000 in fiscal 2012, and federal fund expenditures decrease by $270,000 in fiscal 2012.

The Prevailing Wage Unit has assigned one wage and hour investigator to carry out its enforcement duties related to the living wage law. However, it is assumed that any administrative savings attributed to the repeal of the living wage law (estimated at $44,607 in fiscal 2012) is already accounted for in the decrease in general fund expenditures resulting from the bill's intent language limiting the unit to its minimum statutorily required appropriation.

Local Fiscal Effect: Direct aid to local jurisdictions decreases by $391.9 million in fiscal 2012, with most of the decrease coming from reductions to State education aid. The elimination of the Virginia Manor Road project, which would be a grant to Prince George's County, results in an additional $10.0 million loss in local revenues in fiscal 2012. In addition, an estimated $80.0 million in State costs will be shifted to counties in fiscal 2102. The aggregate fiscal 2012 impact of the bill on local government units is detailed in **Exhibit 6**. Fiscal 2012 local impacts are shown by county in **Appendices B1 to B3** (pages 30-32).

Exhibit 6
Total Impact of House Bill 1294 on Local Governmental Units
Fiscal 2012
($ in Millions)

Local Revenues	
Education Aid	($324.9)
Baltimore City Highway User Revenues	(60.0)
Keep Maryland Community Colleges Affordable Grants*	(5.0)
Crime Grants	(2.0)
Total Impact on Local Aid	($391.9)
Virginia Manor Road (grant to Prince George's County)	(10.0)
Total Impact on Local Revenues	($401.9)
Costs Shifted to Local Governments	
Reduce the State's WMATA Subsidies	$60.0
Retirement Agency Administrative Costs	17.0
Reduce State Subsidies for Convention Centers	2.7
Parole Hearings for Local Detention Center Inmates	0.6
National Teaching Board Certification Fees	(0.3)
Total General Fund Expenditure Impact	$80.0
Total Impact on Local Government Units	**($481.9)**

WMATA: Washington Metropolitan Area Transit Authority

*Some of this funding could have gone to Baltimore City Community College, which would not be considered local aid.

In addition to the direct impacts on local governments, local grant revenues could be further affected by provisions that reduce or eliminate funding for certain grant programs. For example, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund provides local grants for nonpoint source projects. Although the amount provided to local governments varies each year depending on which projects are funded, from fiscal 2009 through 2011, local governments received a total of $9.5 million, or about 24.7% of the total amount appropriated to the trust fund over the three-year period ($38.4 million). Based on the proposed fiscal 2012 State budget, local governments are estimated to receive about 20.7% of the $25.0 million available after a reduction that is contingent upon the enactment of the Budget Reconciliation and Financing Act of 2011. *For illustrative purposes*, assuming local governments would have received between 20% and 25% of the amounts redirected in the absence of the bill, local revenues decrease by an estimated $4.7 million to $5.9 million in fiscal 2012. Examples of the types of projects funded at the local level include stormwater and watershed restoration projects. In addition to providing funds directly to local governments, the trust fund provides funds to nonprofit organizations and others to implement these types of projects at the local level.

Phasing out funding for the Prince George's County Hospital could impact the county's finances, but the nature of the impact is unknown.

Small Business Effect: Small businesses could be affected due to the elimination of or reduction in funding for certain programs. For example, the repeal of the Sustainable Communities Tax Credit Program could have a negative impact on small businesses located in the vicinity of projects that otherwise would have received tax credits, to the extent those projects are unable to move forward.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore, Cecil, Carroll, Harford, Montgomery, Prince Georges, Queen Anne's, and St. Mary's counties; towns of Bel Air, Leonardtown, and Riverdale Park; cities of Salisbury and Westminster; Office of the Attorney General; Baltimore City Community College; Department of Business and Economic Development; Board of Public Works; Governor's Office of Crime Control and Prevention; Department of Budget and Management; Maryland Department of Planning; Maryland State Department of Education; Governor's Office; Department of General Services; Maryland Higher Education Commission; Department of Health and Mental Hygiene; Independent College and University Association; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland State Lottery Agency; Department of Labor, Licensing, and Regulation; Mercer Human Resources Consulting; Maryland Energy Administration; Morgan State University; Office of People's Counsel; Maryland Public Broadcasting Commission; Department of Public Safety and Correctional Services; Public Service Commission; Maryland Association of Boards of Education; Maryland Department of Transportation; University System of Maryland; Department of Legislative Services

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Appendix A

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GENERAL FUND REVENUES					
Increase General Fund Share of Sales Tax	124,000,000	132,000,000	139,000,000	144,000,000	150,000,000
$60m of Balt City Share of Highway User Revenues to GF	60,000,000				
Chesapeake Bay 2010 Trust Fund	23,669,000	25,077,000	26,536,000	28,050,000	29,625,000
Preservation of Cultural Arts Fund	4,200,000				
TOTAL GENERAL FUND REVENUES	**211,869,000**	**157,077,000**	**165,536,000**	**172,050,000**	**179,625,000**
SPECIAL FUND REVENUES					
Fare Box Recovery for Transit Authority	67,000,000	73,000,000	79,000,000	90,000,000	100,000,000
Local Payments for Retirement Agency Administration	16,990,000	17,329,800	17,676,396	18,029,924	18,390,522
Local Payments for Parole Hearings	575,000	587,000	599,000	611,000	623,000
Sustainable Communities Tax Credit	(100,000)	(100,000)	(100,000)	(100,000)	
Local School Board Payments for National Board Fees	(300,000)	(600,000)	(600,000)	(600,000)	(600,000)
Preservation of Cultural Arts Fund	(4,200,000)				
Chesapeake Bay 2010 Trust Fund	(23,669,000)	(25,077,000)	(26,536,000)	(28,050,000)	(29,625,000)
Baltimore City Highway User Revenues	(60,000,000)				
Increase General Fund Share of Sales Tax	(124,000,000)	(132,000,000)	(139,000,000)	(144,000,000)	(150,000,000)
TOTAL SPECIAL FUND REVENUES	**(127,704,000)**	**(66,860,200)**	**(68,960,604)**	**(64,109,076)**	**(61,211,478)**
FEDERAL FUND REVENUES					
Federal Matching Funds for Eliminated TTF Projects	(38,182,000)	(104,000,000)	(142,000,000)		
TOTAL FEDERAL FUND REVENUES	**(38,182,000)**	**(104,000,000)**	**(142,000,000)**	**0**	**0**
GENERAL FUND EXPENDITURES					
Mandate Relief					
Use Average Daily Attendance for K-12 Enrollment	(178,006,201)	(175,744,783)	(192,459,825)	(193,190,130)	(193,973,057)
Phase Out Supplemental Grants	(23,248,209)	(46,496,417)	(48,892,976)	(51,570,847)	(51,800,763)
Reduce Subsidies for Convention Centers	(2,699,786)	(2,699,786)	(2,699,786)	(1,683,936)	(668,086)
Cade Formula for Community Colleges		(25,762,008)	(40,501,945)	(53,776,645)	(67,945,529)
Sellinger Formula for Independent Colleges		(2,099,458)	(4,327,891)	(6,692,985)	(9,203,921)
Baltimore City Community College		(1,433,816)	(1,822,679)	(2,219,113)	(2,651,217)
Subtotal – Mandate Relief	***(203,954,195)***	***(254,236,267)***	***(290,705,102)***	***(309,133,655)***	***(326,242,573)***

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Program Eliminations					
Geographic Cost of Education Index	(120,295,934)	(121,416,138)	(135,834,652)	(138,523,035)	(142,471,914)
Stem Cell Research Grants	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)
Legislative Scholarships	(11,682,000)	(11,837,880)	(11,998,436)	(12,163,809)	(12,334,143)
Sustainable Communities Tax Credit (Commercial)	(9,900,000)	(9,900,000)	(9,900,000)	100,000	
Keep MD Community Colleges Affordable Grants	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Quality Teacher Incentives	(2,096,000)	(4,192,000)	(4,192,000)	(4,192,000)	(4,192,000)
Graduate and Professional Scholarships	(1,174,473)	(1,174,473)	(1,174,473)	(1,174,473)	(1,174,473)
Complete College Grant	(1,019,962)	(1,019,962)	(1,019,962)	(1,019,962)	(1,019,962)
Fine Arts Grants	(731,530)	(731,530)	(731,530)	(731,530)	(731,530)
National Bd for Professional Teaching Standards Fees	(520,000)	(1,040,000)	(1,040,000)	(1,040,000)	(1,040,000)
Eliminate Funding for Harry Hughes Center	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Subtotal – Program Eliminations	***(165,019,899)***	***(168,911,983)***	***(183,491,053)***	***(176,344,809)***	***(180,564,022)***
Cost Control Measures					
Reduce General Funds for USM	(52,641,674)	(53,905,708)	(55,141,256)	(56,371,005)	(57,580,320)
Eliminate One-time Bonus for State Employees	(39,400,000)				
Eliminate State Positions Vacant More than One Year	(18,083,393)	(18,625,895)	(19,370,931)	(20,339,477)	(21,356,451)
Reduce State Agency Operating Budgets by 2%	(12,348,988)	(12,472,478)	(12,597,203)	(12,723,175)	(12,850,407)
No New General Funds for Economic Development Grants	(9,400,000)	(9,400,000)	(9,400,000)	(9,400,000)	(9,400,000)
Phase Out Funding for Prince George’s County Hospital	(5,000,000)	(10,000,000)	(15,000,000)	(15,000,000)	
Reduce Judiciary Operating Expenses	(4,630,000)	(4,676,300)	(4,723,063)	(4,770,294)	(4,817,997)
Reduce Residential Capacity at RICAs	(4,183,000)	(4,266,660)	(4,351,993)	(4,439,033)	(4,527,814)
Eliminate Funding for Statewide Personnel System	(4,137,441)	(21,395,143)	(15,037,240)	(5,874,561)	
Reduce General Funds for Morgan State University	(3,626,077)	(3,754,331)	(3,885,615)	(4,020,532)	(4,159,174)
Reduce Office of the Secretary Budgets by 2%	(3,363,585)	(3,397,221)	(3,431,193)	(3,465,505)	(3,500,160)
Eliminate Medicaid Funding of Abortions	(3,300,000)				
Reduce Crime Grants by 10%	(2,026,800)	(2,026,800)	(2,026,800)	(2,026,800)	(2,026,800)
Consolidate UMCES within USM Institutions	(2,000,000)	(2,080,000)	(2,163,200)	(2,249,728)	(2,339,717)
Reduce Funding for Biotechnology Tax Credit	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Cap Executive Branch Salaries at $1 Below Governor	(1,944,235)	(2,002,562)	(2,082,664)	(2,186,797)	(2,296,137)
Reduce State Agency Advertising Budgets	(1,939,110)	(1,958,501)	(1,978,086)	(1,997,867)	(2,017,846)
Increase Budgeted Turnover for Probation and Parole	(1,522,000)				
Reduce State Electricity Costs by 5%	(1,496,707)	(1,511,674)	(1,526,791)	(1,542,059)	(1,557,479)
Moratorium on Out-of-state Travel	(1,132,623)	(1,143,949)	(1,155,389)	(1,166,943)	(1,178,612)
Reduce Maryland Public Television Budget	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Reduce Annual Appropriation to St. Mary's College	(885,741)	(902,569)	(923,148)	(945,211)	(967,140)
Eliminate Delivery Unit and Health Policy Group	(839,000)	(864,170)	(898,737)	(943,674)	(990,857)
Eliminate Living Wage for State Contracts	(810,000)	(818,000)	(826,000)	(834,000)	(843,000)
Reduce Prevailing Wage Unit to Mandated Level	(689,400)	(689,400)	(689,400)	(689,400)	(689,400)
Reduce Zoo Grant	(520,000)	(520,000)	(520,000)	(520,000)	(520,000)
Reduce Employee Health Benefits		(30,000,000)	(31,800,000)	(33,708,000)	(35,730,480)
Limit FY 2016 Education Aid Inflation to 1%					(46,359,750)
Subtotal – Cost Control Measures	***(178,919,774)***	***(189,411,361)***	***(192,528,708)***	***(188,214,060)***	***(218,709,541)***
Fund Swaps and Cost Shifts					
Share Administrative Costs of Retirement Agency	(16,990,000)	(17,329,800)	(17,676,396)	(18,029,924)	(18,390,522)
Have USM Institutions Fund USM System Office	(8,100,000)	(8,262,000)	(8,427,240)	(8,595,785)	(8,767,701)
Recover Attorney General Costs from Agencies	(1,584,000)	(1,615,680)	(1,647,994)	(1,680,953)	(1,714,573)
County Reimbursement for Parole Hearings	(575,000)	(587,000)	(599,000)	(611,000)	(623,000)
Subtotal – Fund Swaps and Cost Shifts	***(27,249,000)***	***(27,794,480)***	***(28,350,630)***	***(28,917,662)***	***(29,495,796)***
TOTAL GENERAL FUND EXPENDITURES	**(575,142,868)**	**(640,354,091)**	**(695,075,493)**	**(702,610,187)**	**(755,011,931)**
SPECIAL FUND EXPENDITURES					
Operating Deficit Grants to WMATA	(60,000,000)	(63,000,000)	(65,000,000)	(68,000,000)	(71,000,000)
Baltimore City Highway User Revenues	(60,000,000)				
Elimination of Specified TTF Projects	(48,200,000)	(58,000,000)	(62,500,000)		
Chesapeake Bay 2010 Trust Fund	(23,669,000)	(25,077,000)	(26,536,000)	(28,050,000)	(29,625,000)
Eliminate One-time Bonus for State Employees	(8,157,482)				
Reduce State Agency Operating Budgets by 2%	(7,098,292)	(7,169,275)	(7,240,968)	(7,313,378)	(7,386,512)
Eliminate State Positions Vacant More than One Year	(3,913,272)	(3,991,537)	(4,071,368)	(4,152,795)	(4,235,851)
Reduce Office of the Secretary Budgets by 2%	(1,933,414)	(1,952,748)	(1,972,276)	(1,991,999)	(2,011,919)
Cap Executive Branch Salaries at $1 Below Governor	(1,521,122)	(1,536,333)	(1,551,697)	(1,567,214)	(1,582,886)
Reduce State Electricity Costs by 5%	(1,443,410)	(1,457,844)	(1,472,422)	(1,487,146)	(1,502,018)
Moratorium on Out-of-state Travel	(1,296,229)	(1,309,192)	(1,322,284)	(1,335,506)	(1,348,862)
Reduce Prevailing Wage Unit to Mandated Level	(461,100)	(461,100)	(461,100)	(461,100)	(461,100)
Eliminate Funding for Statewide Personnel System	(425,552)	(2,200,574)	(1,546,639)	(604,222)	
Local School Board Reimbursements for National Bd Fees	(300,000)	(600,000)	(600,000)	(600,000)	(600,000)
Eliminate Living Wage for State Contracts	(270,000)	(273,000)	(275,000)	(278,000)	(281,000)
Eliminate Sustainable Communities Tax Credit	(100,000)	(100,000)	(100,000)	(100,000)	

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Reduce Employee Health Benefits		(10,000,000)	(10,600,000)	(11,236,000)	(11,910,160)
County Payments for Parole Hearings	575,000	587,000	599,000	611,000	623,000
Local Board Payments for Retirement Agency Admin	16,990,000	17,329,800	17,676,396	18,029,924	18,390,522
TOTAL SPECIAL FUND EXPENDITURES	**(201,223,873)**	**(159,211,803)**	**(166,974,358)**	**(108,536,436)**	**(112,931,786)**
FEDERAL FUND EXPENDITURES					
Elimination of Specified TTF Projects	(38,182,000)	(104,000,000)	(142,000,000)		
Eliminate One-time Bonus for State Employees	(8,157,482)				
Reduce State Agency Operating Budgets by 2%	(7,098,292)	(7,169,275)	(7,240,968)	(7,313,378)	(7,386,512)
Eliminate State Positions Vacant More than One Year	(3,913,272)	(3,991,537)	(4,071,368)	(4,152,795)	(4,235,851)
Reduce Office of the Secretary Budgets by 2%	(1,933,414)	(1,952,748)	(1,972,276)	(1,991,999)	(2,011,919)
Cap Executive Branch Salaries at $1 Below Governor	(1,521,122)	(1,536,333)	(1,551,697)	(1,567,214)	(1,582,886)
Reduce State Electricity Costs by 5%	(1,443,410)	(1,457,844)	(1,472,422)	(1,487,146)	(1,502,018)
Moratorium on Out-of-state Travel	(1,296,229)	(1,309,192)	(1,322,284)	(1,335,506)	(1,348,862)
Eliminate Funding for Statewide Personnel System	(425,552)	(2,200,574)	(1,546,639)	(604,222)	
Eliminate Living Wage for State Contracts	(270,000)	(273,000)	(275,000)	(278,000)	(281,000)
Reduce Employee Health Benefits		(10,000,000)	(10,600,000)	(11,236,000)	(11,910,160)
TOTAL FEDERAL FUND EXPENDITURES	**(64,240,773)**	**(133,890,503)**	**(172,052,654)**	**(29,966,260)**	**(30,259,208)**
REIMBURSABLE FUND EXPENDITURES					
Agency Costs for Attorney General Legal Advice	1,584,000	1,615,680	1,647,994	1,680,953	1,714,573
TOTAL REIMBURSABLE EXPENDITURES	**1,584,000**	**1,615,680**	**1,647,994**	**1,680,953**	**1,714,573**
HIGHER EDUCATION EXPENDITURES					
USM Institutions Payments for System Office	8,100,000	8,262,000	8,427,240	8,595,785	8,767,701
TOTAL HIGHER EDUCATION EXPENDITURES	**8,100,000**	**8,262,000**	**8,427,240**	**8,595,785**	**8,767,701**

Appendix B1
Impact of Deficit Reduction and Financing Act on Fiscal 2012 State Aid to Education
($ in Thousands)

County	Average Daily Attendance	GCEI Elimination	Supplemental Grants	Teaching Grants	Total Impact on Education Aid
Allegany	($2,028)	$0	($5)	$0	($2,033)
Anne Arundel	(8,747)	(8,475)	0	0	(17,222)
Baltimore City	(61,304)	(20,014)	(9,155)	0	(90,473)
Baltimore	(19,619)	(5,091)	0	0	(24,710)
Calvert	(2,226)	(2,207)	0	0	(4,432)
Caroline	(1,324)	0	(483)	0	(1,807)
Carroll	(3,762)	(2,434)	59	0	(6,137)
Cecil	(5,452)	0	(25)	0	(5,477)
Charles	(3,711)	(3,324)	0	0	(7,036)
Dorchester	(1,316)	0	(661)	0	(1,976)
Frederick	(7,520)	(5,998)	0	0	(13,518)
Garrett	(476)	0	(601)	0	(1,077)
Harford	(6,773)	0	3	0	(6,769)
Howard	(3,507)	(4,842)	0	0	(8,349)
Kent	(332)	(128)	(502)	0	(962)
Montgomery	(5,657)	(30,786)	0	0	(36,443)
Prince George’s	(34,370)	(36,263)	(10,253)	0	(80,886)
Queen Anne’s	(1,067)	(525)	0	0	(1,592)
St. Mary’s	(3,099)	(209)	(1,626)	0	(4,934)
Somerset	(754)	0	0	0	(754)
Talbot	(236)	0	0	0	(236)
Washington	(2,065)	0	0	0	(2,065)
Wicomico	(2,314)	0	0	0	(2,314)
Worcester	(348)	0	0	0	(348)
Unallocated/Statewide	0	0	0	(3,348)	(3,348)
Total	**($178,006)**	**($120,296)**	**($23,248)**	**($3,348)**	**($324,898)**

Appendix B2
Total Impact on Fiscal 2012 Local Government Aid and Grants from the State
($ in Thousands)

County	Education Aid	Highway User Revenues	Keep MD Community Colleges Affordable*	Special Crime Grants	Total Impact on Local Aid	Virginia Manor Road Project	Total Impact on Local Revenues
Allegany	($2,033)	$0	$0	$0	($2,033)	$0	($2,033)
Anne Arundel	(17,222)	0	0	(30)	(17,252)	0	(17,252)
Baltimore City	(90,473)	(60,000)	0	(1,026)	(151,499)	0	(151,499)
Baltimore	(24,710)	0	0	0	(24,710)	0	(24,710)
Calvert	(4,432)	0	0	0	(4,432)	0	(4,432)
Caroline	(1,807)	0	0	0	(1,807)	0	(1,807)
Carroll	(6,137)	0	0	0	(6,137)	0	(6,137)
Cecil	(5,477)	0	0	0	(5,477)	0	(5,477)
Charles	(7,036)	0	0	0	(7,036)	0	(7,036)
Dorchester	(1,976)	0	0	0	(1,976)	0	(1,976)
Frederick	(13,518)	0	0	0	(13,518)	0	(13,518)
Garrett	(1,077)	0	0	0	(1,077)	0	(1,077)
Harford	(6,769)	0	0	0	(6,769)	0	(6,769)
Howard	(8,349)	0	0	(23)	(8,371)	0	(8,371)
Kent	(962)	0	0	0	(962)	0	(962)
Montgomery	(36,443)	0	0	0	(36,443)	0	(36,443)
Prince George's	(80,886)	0	0	(376)	(81,262)	(10,000)	(91,262)
Queen Anne's	(1,592)	0	0	0	(1,592)	0	(1,592)
St. Mary's	(4,934)	0	0	0	(4,934)	0	(4,934)
Somerset	(754)	0	0	0	(754)	0	(754)
Talbot	(236)	0	0	0	(236)	0	(236)
Washington	(2,065)	0	0	0	(2,065)	0	(2,065)
Wicomico	(2,314)	0	0	(33)	(2,347)	0	(2,347)
Worcester	(348)	0	0	0	(348)	0	(348)
Unallocated/Statewide	(3,348)	0	(5,000)	(540)	(8,887)	0	(8,887)
Total	**($324,898)**	**($60,000)**	**($5,000)**	**($2,027)**	**($391,925)**	**($10,000)**	**($401,925)**

*Some of this funding could have been allocated to Baltimore City Community College, which is a State agency.

Appendix B3
Total Fiscal 2012 Impact on Counties
($ in Thousands)

County	Reduction in Local Revenues	Costs for Local Governmental Units: Replacement of State WMATA Subsidies	Administrative Costs for Retirement Agency	Convention Centers*	Parole Hearings	National Board Certification Fees	Total Impact
Allegany	($2,033)	$0	$218	$0	$0	$0	($2,251)
Anne Arundel	(17,252)	0	1,430	0	0	0	(18,682)
Baltimore City	(151,499)	0	1,541	2,032	0	0	(155,072)
Baltimore	(24,710)	0	2,052	0	0	0	(26,762)
Calvert	(4,432)	0	318	0	0	0	(4,751)
Caroline	(1,807)	0	117	0	0	0	(1,924)
Carroll	(6,137)	0	548	0	0	0	(6,684)
Cecil	(5,477)	0	347	0	0	0	(5,824)
Charles	(7,036)	0	503	0	0	0	(7,539)
Dorchester	(1,976)	0	97	0	0	0	(2,074)
Frederick	(13,518)	0	781	0	0	0	(14,299)
Garrett	(1,077)	0	95	0	0	0	(1,172)
Harford	(6,769)	0	830	0	0	0	(7,600)
Howard	(8,371)	0	1,202	0	0	0	(9,574)
Kent	(962)	0	54	0	0	0	(1,015)
Montgomery	(36,443)	26,400	2,934	0	0	0	(65,777)
Prince George’s	(91,262)	33,600	2,367	0	0	0	(127,229)
Queen Anne’s	(1,592)	0	154	0	0	0	(1,746)
St. Mary’s	(4,934)	0	308	0	0	0	(5,241)
Somerset	(754)	0	70	0	0	0	(824)
Talbot	(236)	0	87	0	0	0	(323)
Washington	(2,065)	0	429	0	0	0	(2,493)
Wicomico	(2,347)	0	340	0	0	0	(2,687)
Worcester	(348)	0	166	668	0	0	(1,183)
Unallocated/Statewide	(8,887)	0	3	0	575	(300)	(9,166)
Total	**($401,925)**	**$60,000**	**$16,990**	**$2,700**	**$575**	**($300)**	**($481,889)**

*Presumably, Ocean City (not Worcester County) will be responsible for paying these costs.