

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 984

(Senators Pipkin and Brinkley)

Budget and Taxation

Budget Reconciliation and Balancing Act

This bill executes a variety of actions that help to balance the State budget, mostly 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, eliminating programs, and shifting State costs to local governments.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: General fund revenues increase by \$52.4 million in FY 2011 and by \$472.1 million in FY 2012 due to fund balance transfers and the redirection of special fund revenues to the general fund. General fund expenditures decrease by \$2.5 million in FY 2011 and by \$1.4 billion in FY 2012 due to fund swaps, mandate relief, cost controls, program eliminations, and cost shifts. Of the FY 2012 general fund expenditure reductions, \$101.8 million is already assumed in the proposed FY 2012 State budget. 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	\$52.4	\$472.1	\$228.2	\$221.9	\$226.3
SF Revenue	(\$44.7)	(\$132.3)	(\$49.6)	(\$46.2)	(\$36.5)
FF Revenue	\$0	\$22.5	\$23.4	\$24.3	\$25.3
NonBud Rev.	\$0	\$.9	\$1.2	\$.4	\$.4
GF Expenditure	(\$2.5)	(\$1,445.7)	(\$1,471.0)	(\$1,624.8)	(\$1,654.2)
SF Expenditure	\$2.4	(\$198.6)	(\$75.1)	(\$88.7)	(\$75.4)
FF Expenditure	\$0	(\$23.9)	(\$38.7)	(\$46.5)	(\$39.8)
ReimB. Exp.	\$0	(\$1.2)	(\$2.0)	(\$2.7)	(\$2.2)
Higher Ed Exp.	\$0	(\$20.8)	(\$36.7)	(\$49.1)	(\$38.9)
Bond Exp.	\$0	(\$3.9)	\$6.1	\$6.1	\$6.1
Net Effect	\$7.8	\$2,057.3	\$1,820.6	\$2,006.1	\$2,019.8

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

Local Effect: Local revenues from direct State aid decrease by \$441.0 million in FY 2012, and State payments in lieu of taxes (PILOTs) to counties decrease local revenues by an additional \$2.4 million. In addition, the bill shifts \$575.6 million in costs from the State to local governments in FY 2012. **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.

In addition to reducing the State's structural budget problems and balancing the fiscal 2012 budget, the BRFA targets the State's unfunded pension and retiree health liabilities. The Public Employees' and Retirees' Benefit Sustainability Commission, which was established through the Budget Reconciliation and Financing Act of 2010 (Chapter 484) and met during fall 2010, recognized approximately \$35 billion in unfunded liabilities and specifically noted that the State's current benefit structure is unsustainable. Provisions in the BRFA begin to address the liabilities by restructuring

pension benefits for current and future State and local employees and health benefits for State retirees.

This legislation also addresses the general fund budget gap forecast for fiscal 2012. It incorporates most of the provisions of the BRFA, including the restructuring of pension benefits for current and future State and local employees and health benefits for State retirees. In addition, through either statutory changes or the expression of legislative intent, the bill further augments general fund revenues and reduces general fund expenditures in fiscal 2012.

State Fiscal Effect: The fiscal 2011 and 2012 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 \$54.9 million in fiscal 2011 primarily due to the redirection of dedicated revenue streams and fund balance transfers. In fiscal 2012, the general fund outlook improves by an additional \$1.9 billion through a combination of revenue and expenditure actions. The two-year impact on the general fund sums to nearly \$2.0 billion.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Balancing Act
Fiscal 2011 and 2012
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Revenues		
Redirected Special Fund Revenues	\$44.7	\$240.9
Fund Balance Transfers	7.7	194.2
Revenue Enhancements	<u>0.0</u>	<u>36.9</u>
Revenue Subtotal	\$52.4	\$472.1
Expenditures		
Fund Swaps and Cost Shifts	(\$2.5)	(\$724.4)
Mandate Relief	0.0	(302.3)
Cost Control Measures	0.0	(272.8)
Program Eliminations	0.0	(160.8)
Administrative and Other Costs	<u>0.0</u>	<u>14.7</u>
Expenditure Subtotal	(\$2.5)	(\$1,445.7)
 General Fund Improvement	 \$54.9	 \$1,917.8

General Fund Transfers

The bill authorizes fund balance transfers totaling \$7.7 million in fiscal 2011 and \$194.2 million in fiscal 2012. These transfers are itemized in **Appendix A** (pages 17 to 22). All of the provisions are also in the BRFA. The \$10.0 million transfer from the Circuit Court Real Property Records Improvement Fund to the general fund in fiscal 2012 is the only transfer authorized in the BRFA that is not in this legislation.

General Fund Revenues

In addition to the 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 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. Due to the bill's June 1, 2011 effective date, there is also an impact in fiscal 2011.

Maryland-mined Coal Tax Credits, Traffic Ticket Surcharge Revenues, Dangerous Driver Fees, and Injured Workers' Insurance Fund Premium Tax

Several provisions in the BRFA relating to revenues are not in this legislation. The BRFA accelerates the repeal dates for the Maryland-mined coal tax credit and shifts 50% of the revenues generated from a \$7.50 surcharge for certain traffic convictions to the general fund until \$20 million of surcharges have been credited to the Volunteer Company Assistance Fund (VCAF). Current State law requires all the surcharge receipts to be credited to VCAF. Once \$20 million has been credited to the fund from the surcharge, all surcharges accrue to the general fund. Another provision in the BRFA that is not in this legislation requires the Motor Vehicle Administration (MVA) to assess fees against drivers who are (1) assessed more than five points for traffic violations within any two-year period; or (2) convicted of an alcohol- or drug-related driving violation. Finally, unlike the BRFA, this bill does not subject the Injured Workers' Insurance Fund to the 2% insurance premium tax.

Developmental Disabilities Administration Payment Schedule

The BRFA includes a provision changing the payment schedule for community providers of services for individuals with intellectual and developmental disabilities from a quarterly prospective payment schedule to a monthly retrospective payment schedule. As a result the State would realize additional interest income. That provision is not in this legislation.

General Fund Expenditures

The legislation implements \$1.4 billion in general fund expenditure reductions in fiscal 2012 resulting from the substitution of special fund spending for general funds, cost shifts, mandate relief, and program eliminations. For many of these reductions, language in the fiscal 2012 budget bill makes the reduction contingent on legislation. Many of these provisions are also in the BRFA and are detailed in Appendix A.

Several provisions in the BRFA are not in this legislation, as follows:

Medicaid Hospital Assessments

The BRFA imposes a new assessment on hospital rates equal to 2.5% of net patient revenue to support general Medicaid operations. In addition, the cap on the existing assessment used to capture uncompensated care savings is raised to 1.5%. These assessment funds lower general fund Medicaid requirements by an estimated \$254.1 million in fiscal 2012. This bill does not rely on increasing these hospital assessments to generate general fund savings.

Property Valuation Expenditures

Provisions in the BRFA require the counties and Baltimore City to reimburse the State Department of Assessments and Taxation for 90% of property valuation costs. This shifts an estimated \$34.8 million of costs to the counties and Baltimore City in fiscal 2012. This legislation does not shift the property valuation costs to local governments.

State Retirement and Pension System

This legislation and the BRFA include provisions which restructure retirement eligibility, member contributions, and pension benefits for current and future members of the State Retirement and Pension System. Under this bill, all of the savings from these changes are reinvested in the retirement system to address the unfunded liability. The BRFA partially reinvests the savings the first two years, recognizing \$120.0 million and

\$60.0 million in budgetary savings (all funds) in fiscal 2012 and 2013, respectively. Under the BRFA, all the savings are reinvested beginning with fiscal 2014.

Use of 9-1-1 Trust Fund for State Police Technology Project

The BRFA authorizes the use of \$1.0 million in fiscal 2012 special fund revenue from the State portion of the 9-1-1 fee on wired lines to be used to support the Computer Aided Dispatch/Records Management System project in the Maryland State Police. That use of 9-1-1 fees is not authorized in this bill.

Strategic Energy Investment Fund

The BRFA alters the distribution of proceeds from the Regional Greenhouse Gas Initiative quarterly carbon dioxide emission allowance auctions in the Maryland Strategic Energy Investment Fund for fiscal 2012 through 2014. The altered distribution is expected to reduce fiscal 2012 general fund expenditures by allowing the Maryland Energy Administration to use \$480,218 in special funds for administrative costs rather than general funds. That fund swap is not included in this bill.

A number of provisions in this legislation further constrain and reduce general fund expenditures beyond those actions in the BRFA. A summary of those provisions follows:

St. Mary's College of Maryland – Inflator

Under statute, general fund support for St. Mary's College of Maryland grows by inflation, as measured by the change in the implicit price deflator for State and local government. For fiscal 2012, the bill reduces the funding level for the college to 90% of the amount received in fiscal 2011.

Community College Formulas

Most community colleges in the State are operated locally, but Baltimore City Community College (BCCC) is a State agency and receives funding through a 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 65.5% for fiscal 2013 and all subsequent years. For fiscal 2012, the funding for BCCC is set at \$37.7 million, which is \$2.5 million below current law. The estimates for subsequent years include the interaction of proposed 10% decreases to State funding for public four-year institutions under this bill.

Maryland has 15 local community colleges that receive State funding under the Senator John A. Cade Funding Formula. Like the BCCC 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. For fiscal 2012, funding for the Cade formula is set at \$184.6 million, which is a \$9.7 million decrease from current law. The expected decreases to Cade formula funding in subsequent years include the interaction of proposed 10% reductions to State support for public four-year institutions under this bill.

Private Colleges and Universities

Qualifying private colleges and universities in Maryland receive State funding through the Joseph A. Sellinger Formula. Under the bill, private colleges and universities with endowments larger than \$1.0 billion would not be eligible for State support through the Sellinger Program. Currently, this provision only applies to Johns Hopkins University. 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 phase up to 15.5% of the per student funding for the public four-year institutions by fiscal 2021. This bill reduces funding to \$20.7 million for fiscal 2012 and freezes the percentage of the four-year institutions' State support per student at 10% for fiscal 2013 and subsequent years. This action is expected to reduce general fund expenditures by \$17.7 million in fiscal 2012, growing to \$29.3 million by fiscal 2016. The general fund savings for fiscal 2013 and subsequent years includes the interaction of proposed 10% reductions to funding for public four-year institutions.

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. The bill eliminates the grant. However, the proposed fiscal 2012 State budget does not include funding for this grant; thus, there is no impact in fiscal 2012.

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. Recent legislation (Chapter 487 of 2009) capped each county's grant at the fiscal 2010 amount. This bill limits a county's grant to 60% of the amount distributed to the county for fiscal 2010. In fiscal 2012, this lowers the total cost of the grants from \$110.9 million to \$71.0 million, resulting in a savings of \$39.9 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 \$20.6 million to \$45.4 million. The Budget Reconciliation and Financing Act of 2010 funded the grant at the reduced level for fiscal 2011 and 2012. This bill would continue to fund the grant at the reduced level through fiscal 2016.

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 2012 would be \$8.6 million, growing to \$9.6 million by fiscal 2016. Special fund revenues and expenditures increase correspondingly.

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. The Budget Reconciliation and Financing Act of 2010 funded the grant at the reduced level for fiscal 2011 and 2012. Under this bill, 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 beginning in fiscal 2013.

Education Aid Formulas

Many of the major State education aid formulas use the per pupil foundation amount as the basis for determining the amount of aid provided to local school systems. This bill reduces the per pupil foundation amount to \$6,424, down \$270 or 4.0% from the fiscal 2011 per pupil amount of \$6,694. This decrease, coupled with other changes in the formula factors, drops direct State aid under the major funding formulas by 2.5% from fiscal 2011 to 2012. The decline in the per pupil foundation amount results in decreases to the following State aid formulas: the State share of the foundation program, Geographic Cost of Education Index, compensatory education formula, special education formula, and limited English proficiency formula. The reductions are partially offset by a slight increase in funding under the guaranteed tax base. Combined, the changes generate a \$209.8 million general fund savings, \$116.1 million more than the education aid savings proposed in the BRFA.

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 2012 budget, there is a general fund expenditure reduction of \$122.2 million. (Another \$6.2 million in proposed fiscal 2012 funding for the program is deleted by the reduction in the per pupil foundation amount discussed above.)

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 statute requires the State to provide up to \$10.0 million in funding. The bill requires local school boards to provide the funding. The proposed fiscal 2012 State budget includes \$7.7 million for the SEED school; thus, this action reduces general fund expenditures by \$7.7 million in fiscal 2012 and by an estimated \$10.0 million in fiscal 2016. Special fund revenues and expenditures increase correspondingly.

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 eliminates these programs. Assuming the corresponding funding for the programs is deleted from the fiscal 2012 budget, there is a general fund expenditure reduction of \$5.2 million. The savings would continue in future years. 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.

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 \$489.3 million in fiscal 2012, growing to \$661.6 million by fiscal 2016.

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 would not allow State funds to be utilized for annual operating deficits or a capital reserve fund. Thus, general fund expenditures decrease by \$5.4 million annually through fiscal 2014, \$3.4 million in fiscal 2015, and \$1.3 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.

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 proposed

fiscal 2012 State budget includes \$13.3 million for the arts council. Reducing the budget to the minimum established in this bill reduces general fund expenditures by \$6.8 million. By fiscal 2016, this action is expected to reduce general fund expenditures by \$8.0 million.

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.

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 2012 State budget includes \$704,947 in general funds for the unit, including 11 regular positions. 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 construction prevailing wage law or the Maryland living wage law. The construction prevailing wage 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. The Maryland living wage law requires State service contractors to pay their employees a "living wage." Although the laws remain in effect, the State would have no means to enforce them. To the extent that State contractors do not pay prevailing/living wages, the cost of State public works and service contracts likely drops.

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 2012 and future years by implementation of several actions. They include the following:

Reducing General Fund Appropriations for University System of Maryland Institutions and Morgan State University by 10%

Under this provision, fiscal 2012 general fund support for constituent institutions of the University System of Maryland (USM) and Morgan State University (MSU) would be reduced by 10%. Assuming the intent language is followed, general fund expenditures decrease by an additional \$105.3 million for USM institutions and \$7.3 million for MSU in fiscal 2012.

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 eliminated in fiscal 2012. The proposed fiscal 2012 State budget includes \$20.3 million for these special crime grants. Thus, eliminating the grants results in general fund savings of \$20.3 million annually.

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 proposed fiscal 2012 State budget includes \$10.6 million for the program. This bill expresses the intent that the program be reduced by 50%, which results in a general fund expenditure reduction of \$5.3 million annually.

Employment Standards

The Employment Standards Unit within the Department of Labor, Licensing, and Regulation assists Maryland workers in collecting wages due to them. The bill expresses legislative intent that the unit be limited to the minimum statutorily required appropriations. Under current law, the Governor is required to include at least \$315,000 for the Employment Standards Unit. The proposed fiscal 2012 State budget includes \$1.1 million (\$369,452 in general funds and \$776,090 in special funds) for the unit. Thus, reducing the program to its minimum statutorily required appropriation results in a decrease in general fund expenditures of \$369,500 and a decrease in special fund expenditures of \$461,100 in fiscal 2012, with the savings growing over time.

Eliminate 510 Executive Branch Positions

Currently, there are 50,394 Executive Branch positions. The bill expresses the intent that 510 of the Executive Branch positions be eliminated. Estimated savings are about \$30.0 million (all funds) based on a cost of about \$60,000 per position.

Administrative Efficiencies – Agency Operating Costs/Consolidations

The bill specifies the intent that at least \$66.0 million in general operating expenses be reduced through recognition of additional administrative efficiencies. The \$66.0 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 about \$39.6 million.

Special Fund Revenues and Expenditures

In addition to the general fund impact, the bill decreases special fund revenues by \$132.3 million and decreases special fund expenditures by \$198.6 million in fiscal 2012. 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 TTF to the general fund, several other provisions in the bill impact TTF. Four provisions that are in both the BRFA and this bill: (1) reduce the Maryland Department of Transportation's share of Gasoline and Motor Vehicle Revenue Account revenues (highway user revenues) for fiscal 2012 only; (2) credit all interest earned on special funds (including TTF) to the general fund, with specified exceptions; (3) repeal the termination date of the sales tax vendor discount cap; and (4) require MVA to refuse to issue, renew, or transfer a vehicle registration, or to issue or renew a driver's license, to an individual who has not paid, or made satisfactory arrangements to pay, all undisputed taxes and unemployment insurance contributions. A summary of the *additional* provisions that affect TTF in this bill follows.

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.

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

Exhibit 2
Estimated Impact on Transportation Trust Fund
SB 984
(\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenues					
Increase Fare Box Recovery to 50%	\$67.0	\$73.0	\$79.0	\$90.0	\$100.0
Sales Tax Vendor Discount to TTF*	0.4	0.5	0.8	0.8	0.8
Sales Tax to General Fund	(124.0)	(132.0)	(139.0)	(144.0)	(150.0)
Highway User Revenues*	(99.5)	0.0	0.0	0.0	0.0
TTF Interest Earnings to General Fund*	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Subtotal Revenues	(\$160.1)	(\$62.5)	(\$63.2)	(\$57.2)	(\$53.2)
Expenditures					
Reduce State Share of WMATA Subsidy	(\$60.0)	(\$63.0)	(\$65.0)	(\$68.0)	(\$71.0)
Tax Clearance – MVA Admin. Costs*	0.1	0.1	0.1	0.1	0.1
Subtotal Expenditures	(\$59.9)	(\$62.9)	(\$64.9)	(\$67.9)	(\$70.9)
Net Impact to TTF	(\$100.2)	\$0.4	\$1.7	\$10.7	\$17.7

*This provision is also in the BRFA. The estimated impact of the sales tax vendor discount provision on TTF reflects the modified distribution of the sales tax under this bill.

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

Source: Department of Legislative Services

Local Fiscal Effect: Direct aid to local jurisdictions decreases by \$441.0 million from the required spending levels in fiscal 2012, although approximately \$7 million of the proposed reduction to the local share of Program Open Space is returned through the proposed fiscal 2012 capital budget. State payments in lieu of taxes to counties decrease by another \$2.4 million, bringing the reduction in local revenues to \$443.4 million. In addition, an estimated \$575.6 million in State costs are shifted to counties in fiscal 2012. The aggregate fiscal 2012 impact of the bill on local government units is detailed in **Exhibit 3**.

Exhibit 3
Impact of the Budget Reconciliation and Balancing Act on Local Governments
Fiscal 2012
(\$ in Millions)

Impact on Local Revenues

Direct State Aid	
Education Aid	(\$342.5)
Libraries	
Local Libraries	(2.4)
State and Regional Resource Centers	(1.7)
Community Colleges	
Cade Formula	(9.7)
Statewide and Health Manpower Grants	(3.7)
Disparity Grants	(39.9)
Program Open Space	(20.8)
Special Crime Grants	<u>(20.3)</u>
Direct Aid Subtotal	(\$441.0)
State Parks and Forests – State Payments in lieu of Taxes	<u>(2.4)</u>
Local Revenues Subtotal	(\$443.4)

Costs Shifted to Local Governmental Units

Local Teachers' Retirement Costs	\$489.3
WMATA Subsidies	60.0
Circuit Court Law Clerks	8.6
SEED School (Local Boards of Education)	7.7
Convention Centers	5.4
Education Costs for Children in State-supervised Care	5.2
National Board Certification Fees (Local Boards of Education)	<u>(0.6)</u>
Local Costs Subtotal	\$575.6

Total Direct Impact on Local Governments **(\$1,019.0)**

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

Fiscal 2012 impacts are shown by county in **Appendices B1 to B4** (pages 23 to 26).

Small Business Effect: The bill could have a meaningful impact on some small businesses. 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. Also, the transfer of \$3.6 million to the Racetrack Facility Renewal Account will allow the racetracks to operate a 2011 live racing schedule similar to the 2010 racing schedule and will provide for the continued year-round operation of the Bowie Training Center; this could have a positive impact on small businesses in affected areas. These provisions are included in both this bill and the BRFA; thus, this fiscal and policy note does not include a separate discussion of them.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 18, 2011
mc/rhh

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Appendix A

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>GENERAL FUND REVENUES</u>						
Dedicated Revenue Relief						
* Medicare Prescription Drug Subsidies	23,000,000	24,000,000	25,440,000	26,966,400	28,584,384	30,299,447
Increase General Fund Share of the Sales Tax	21,692,000	124,000,000	132,000,000	139,000,000	144,000,000	150,000,000
* Gasoline and Motor Vehicle Revenue Account		60,000,000				
* Chesapeake Bay 2010 Trust Fund		18,669,444	15,076,582	11,535,845	8,049,199	4,624,687
* Special Fund Interest to General Fund		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
* Preservation of Cultural Arts Fund		3,200,000				
<i>Subtotal – Dedicated Revenue Relief</i>	44,692,000	240,869,444	183,516,582	188,502,245	191,633,583	195,924,134
Fund Balance Transfers						
* Transfer Tax Revenues	5,591,172	94,491,115				
* Maryland Health Care Commission Fund	1,000,000					
* Used Tire Cleanup and Recycling Fund	500,000					
* Forest or Park Reserve Fund	256,000					
* Not-for-profit Development Center Fund	250,000	125,000				
* Board of Veterinary Medical Examiners Fund	150,000					
* Bay Restoration Fund		90,000,000				
* Special Loan Program Fund		2,200,000				
* Neighborhood Business Development Fund		2,050,000				
* State Insurance Trust Fund		2,000,000				
* Homeownership Programs Fund		1,500,000				
* Waterway Improvement Fund		1,090,000				
* Spinal Cord Injury Research Trust Fund		500,000				
* Board of Pharmacy Fund		237,888				
* Board of Examiners of Psychologists Fund		44,888				
<i>Subtotal – Fund Balance Transfers</i>	7,747,172	194,238,891	0	0	0	0
General Fund Revenue Enhancements						
* Sales Tax Vendor Cap		18,353,545	20,349,937	21,486,357	22,770,813	24,085,600
* MVA Tax Clearance		15,000,000	20,000,000	7,500,000	7,500,000	7,500,000
* Probation Supervision Fees		3,090,000	3,875,400	3,875,400	3,875,400	3,875,400
* Reduce Abandoned Property Admin Costs		500,000	500,000	500,000	500,000	500,000
<i>Subtotal – Revenue Enhancements</i>	0	36,943,545	44,725,337	33,361,757	34,646,213	35,961,000
TOTAL GENERAL FUND REVENUES	52,439,172	472,051,880	228,241,919	221,864,002	226,279,796	231,885,134

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>SPECIAL FUND REVENUES</u>						
Increase Fare Box Recovery for Transit Authority		67,000,000	73,000,000	79,000,000	90,000,000	100,000,000
* Increased Nursing Home Assessments		35,500,000	36,920,000	38,396,800	39,932,672	41,529,979
County Payment for Circuit Court Law Clerks		8,566,654	8,824,010	9,088,730	9,361,392	9,642,234
School Board Payments for SEED School		7,700,000	9,700,000	10,000,000	10,000,000	10,000,000
* County Payment for Students in State Care		5,199,684	5,251,484	5,303,802	5,356,638	5,463,864
* Sales Tax Vendor Cap for TTF		412,861	457,770	756,249	801,457	847,733
* Fees for Postsecondary Academic Program Review		264,300	264,300	264,300	264,300	264,300
* Payroll Garnishment Fees		50,000	50,000	50,000	50,000	50,000
* Postretirement Health Benefits Trust Fund			(25,440,000)	(26,966,400)	(28,584,384)	(30,299,447)
Local School Board Payments for National Board Fees		(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
* Preservation of Cultural Arts Fund		(3,200,000)				
* Special Fund Interest Earnings		(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
* Chesapeake Bay 2010 Trust Fund		(18,669,444)	(15,076,582)	(11,535,845)	(8,049,199)	(4,624,687)
* Gasoline and Motor Vehicle Revenue Account		(99,500,000)				
Increase General Fund Share of Sales Tax	(21,692,000)	(124,000,000)	(132,000,000)	(139,000,000)	(144,000,000)	(150,000,000)
* Employees' and Retirees' Health and Welfare Fund	(23,000,000)					
TOTAL SPECIAL FUND REVENUES	(44,692,000)	(132,275,945)	(49,649,018)	(46,242,364)	(36,467,124)	(28,726,024)
<u>FEDERAL FUND REVENUES</u>						
* Medicaid Funds for Nursing Homes		22,500,000	23,400,000	24,336,000	25,309,440	26,321,818
TOTAL FEDERAL FUND REVENUES	0	22,500,000	23,400,000	24,336,000	25,309,440	26,321,818
<u>NONBUDGETED REVENUES</u>						
* MVA Unemployment Insurance Clearance		900,000	1,200,000	400,000	400,000	400,000
TOTAL NONBUDGETED REVENUES	0	900,000	1,200,000	400,000	400,000	400,000

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>GENERAL FUND EXPENDITURES</u>						
<i>Fund Swaps and Cost Shifts</i>						
* Senior Drug Program for Kidney Disease	(2,500,000)	(3,000,000)	(3,000,000)			
Shift 50% of Local Teacher Pension Costs to Counties		(489,340,292)	(530,500,000)	(579,900,000)	(622,400,000)	(661,600,000)
* Education Jobs Fund Savings		(124,420,746)				
* Highway User Revenues to Rainy Day Fund		(39,500,000)				
* Hospital Graduate Medical Education Assessments		(17,500,000)	(17,850,000)	(18,207,000)	(18,571,140)	(18,942,563)
* Nursing Facility Assessments for Medicaid		(13,000,000)	(13,520,000)	(14,060,800)	(14,623,232)	(15,208,161)
* CareFirst Subsidy for Kidney Disease Program		(8,600,000)	(8,600,000)	(11,600,000)	(11,600,000)	(11,600,000)
County Payment for Circuit Court Law Clerks		(8,566,654)	(8,824,010)	(9,088,730)	(9,361,392)	(9,642,234)
School Board Payments for SEED School		(7,700,000)	(9,700,000)	(10,000,000)	(10,000,000)	(10,000,000)
* Use Bonds for Aging Schools Program		(6,108,990)	(6,108,990)	(6,108,990)	(6,108,990)	(6,108,990)
* County Payment for Students in State Care		(3,534,620)	(5,251,484)	(5,303,802)	(5,356,638)	(5,463,864)
* Forest and Parks Revenue Sharing		(2,374,852)	(2,374,852)	(2,374,852)	(2,374,852)	(2,374,852)
* POS Funds for Maryland Heritage Areas Authority		(500,000)				
* Academic Program Review Fees for Administration		(253,208)	(258,272)	(263,437)	(268,706)	(274,080)
* Payroll Garnishment Fees for Administration		(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
<i>Subtotal – Fund Swaps and Cost Shifts</i>	(2,500,000)	(724,449,362)	(606,037,608)	(656,957,611)	(700,714,950)	(741,264,744)
<i>Mandate Relief</i>						
* Per Pupil Foundation Amount		(209,769,708)	(213,605,420)	(228,076,820)	(233,734,587)	(241,965,830)
Cap Disparity Grant at 60% of Fiscal 2010 Amount		(39,896,498)	(48,574,000)	(48,574,000)	(48,574,000)	(48,574,000)
Sellinger Formula for Independent Colleges		(17,685,939)	(20,425,000)	(23,216,000)	(26,167,000)	(29,289,000)
Cade Formula for Community Colleges		(9,720,372)	(36,508,000)	(51,866,000)	(65,494,000)	(80,046,000)
Reduce Appropriation to the State Arts Council		(6,798,434)	(7,070,371)	(7,353,186)	(7,647,313)	(7,953,206)
Reduce Subsidies for Convention Centers		(5,399,571)	(5,399,571)	(5,399,571)	(3,367,871)	(1,336,171)
* Library Funding		(4,078,342)	(4,108,751)	(4,114,919)	(4,119,566)	(4,157,854)
* Statewide and Health Manpower Grant Program		(3,708,885)	(3,855,145)	(4,015,920)	(4,161,147)	(4,336,460)
Baltimore City Community College Formula		(2,277,346)	(2,932,000)	(3,378,000)	(3,819,000)	(4,306,000)
* MARBIDCO		(1,750,000)	(2,000,000)	(1,000,000)		
* Eliminate Distinguished Scholar Program		(1,050,000)	(2,100,000)	(3,150,000)	(4,200,000)	(4,200,000)
* Eliminate Tolbert Career School Scholarships		(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Level Fund Police Aid at Fiscal 2011 Level			(20,270,000)	(20,927,000)	(21,590,000)	(22,260,000)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Baltimore City Miscellaneous Grant			(3,075,000)	(3,075,000)	(3,075,000)	(3,075,000)
Remove Inflation Factor in Local Health Aid Formula			(224,000)	(895,000)	(1,194,000)	(2,051,000)
Subtotal – GF Mandates	0	(302,335,095)	(370,347,258)	(405,241,416)	(427,343,484)	(453,750,521)
Program Eliminations						
Eliminate Geographic Cost of Education Index		(122,192,641)	(123,169,997)	(124,653,079)	(126,332,914)	(129,345,068)
Eliminate Special Crime Grants		(20,268,000)	(20,268,000)	(20,268,000)	(20,268,000)	(20,268,000)
Eliminate Stem Cell Research Grants		(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)
Eliminate Quality Teacher Incentives		(4,192,000)	(4,192,000)	(4,192,000)	(4,192,000)	(4,192,000)
Eliminate National Board Certification Fees		(1,040,000)	(1,040,000)	(1,040,000)	(1,040,000)	(1,040,000)
Eliminate Prevailing Wage Unit		(704,947)	(726,095)	(755,139)	(792,896)	(832,541)
Subtotal – Program Eliminations	0	(160,797,588)	(161,796,092)	(163,308,218)	(165,025,810)	(168,077,609)
Cost Control Measures						
Reduce State Support for University System		(105,283,348)	(107,811,416)	(110,282,512)	(112,742,010)	(115,160,640)
* Eliminate State Employee Merit Increases		(63,296,862)	(128,112,849)	(178,660,203)	(134,336,058)	(137,560,124)
* Restructure Retiree Prescription Drug Benefit		(22,121,852)	(23,449,163)	(24,856,113)	(26,347,480)	(27,928,329)
Recognize Administrative Efficiencies		(39,600,000)	(39,996,000)	(40,395,960)	(40,799,920)	(41,207,919)
Eliminate 510 Positions		(17,827,000)	(18,361,810)	(19,096,282)	(20,051,096)	(21,053,651)
* Group Home and Nonpublic Placement Rates		(9,698,507)	(10,089,522)	(10,504,084)	(10,939,597)	(11,414,897)
Reduce State Support for Morgan State University		(7,252,155)	(7,508,662)	(7,771,230)	(8,041,064)	(8,318,348)
Reduce Judy Hoyer Program Funding by 50%		(5,287,500)	(5,287,500)	(5,287,500)	(5,287,500)	(5,287,500)
Reduce Annual Appropriation to St. Mary’s College		(1,771,481)	(1,805,138)	(1,846,296)	(1,890,422)	(1,934,280)
Limit the Employment Standards Service Unit		(369,452)	(380,536)	(395,757)	(415,545)	(436,322)
* Privatize Youth Camp Accreditation Process		(334,152)	(347,518)	(361,419)	(375,876)	(390,911)
Subtotal – Cost Control Measures	0	(272,842,308)	(343,150,114)	(399,457,356)	(361,226,567)	(370,692,921)
Other General Fund Expenditure Impacts						
* InterCounty Connector Payment Deferral			10,000,000			
* Comptroller Administrative Costs for Tax Clearance		289,680	284,665	148,509	154,957	161,688
* Agency Payments for Employee and Retiree Health		14,400,000				
* DHMH Retention Bonuses	30,000					
Subtotal – Other GF Expenditure Measures	30,000	14,689,680	10,284,665	148,509	154,957	161,688
TOTAL GENERAL FUND EXPENDITURES	(2,470,000)	(1,445,734,673)	(1,471,046,407)	(1,624,816,093)	(1,654,155,854)	(1,733,624,106)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>SPECIAL FUND EXPENDITURES</u>						
* Forest and Parks Revenue Sharing	(89,227)					
* Transfer Tax Projects		(94,491,115)				
Operating Deficit Grants to WMATA		(60,000,000)	(63,000,000)	(65,000,000)	(68,000,000)	(71,000,000)
* Bay Restoration Fund Projects		(40,000,000)				
* Chesapeake Bay 2010 Fund		(18,669,444)	(15,076,582)	(11,535,845)	(8,049,199)	(4,624,687)
* State Employee Merit Increases		(16,906,222)	(34,218,193)	(47,719,096)	(35,880,377)	(36,741,506)
Recognize Administrative Efficiencies		(13,200,000)	(13,332,000)	(13,465,320)	(13,599,973)	(13,735,973)
Eliminate 510 Positions		(6,086,500)	(6,269,095)	(6,519,859)	(6,845,852)	(7,188,145)
* Restructure Retiree Prescription Drug Benefit		(5,384,405)	(5,707,469)	(6,049,917)	(6,412,912)	(6,797,687)
* Special Loan Programs Fund		(2,200,000)				
* Neighborhood Business Development Fund		(2,050,000)				
* Homeownership Programs Fund		(1,500,000)				
* Waterway Improvement Fund		(1,090,000)				
Local School Board Payments for National Board Fees		(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
* Abandoned Property Administrative Costs		(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
* Spinal Cord Injury Research Trust Fund		(500,000)				
Limit the Employment Standards Service Unit		(461,090)	(474,923)	(493,920)	(518,616)	(544,546)
* Not-for-profit Development Center Program Fund		(125,000)				
* Payroll Garnishment Fees		50,000	50,000	50,000	50,000	50,000
* MVA Administrative Costs for Tax Clearance		98,441	108,729	80,632	83,286	86,046
* MHEC Fees for Academic Program Review		253,208	258,272	263,437	268,706	274,080
* Agency Payments for Employee and Retiree Health		4,800,000				
* County Payment for Students in State Care		5,199,684	5,251,484	5,303,802	5,356,638	5,463,864
School Board Payments for SEED School		7,700,000	9,700,000	10,000,000	10,000,000	10,000,000
County Payment for Circuit Court Law Clerks		8,566,654	8,824,010	9,088,730	9,361,392	9,642,234
* Nursing Facility Quality Assessments		35,500,000	36,920,000	38,396,800	39,932,672	41,529,979
* Senior Drug Asst Program for Kidney Disease	2,500,000	3,000,000	3,000,000			
TOTAL SPECIAL FUND EXPENDITURES	2,410,773	(198,595,789)	(75,065,767)	(88,700,555)	(75,354,234)	(74,686,341)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>FEDERAL FUND EXPENDITURES</u>						
* Hospital Graduate Medical Education Assessments		(17,500,000)	(17,850,000)	(18,207,000)	(18,571,140)	(18,942,563)
Recognize Administrative Efficiencies		(13,200,000)	(13,332,000)	(13,465,320)	(13,599,973)	(13,735,973)
Eliminate 510 Positions		(6,086,500)	(6,269,095)	(6,519,859)	(6,845,852)	(7,188,145)
* Eliminate State Employee Merit Increases		(9,732,557)	(19,698,695)	(27,470,882)	(20,655,579)	(21,151,313)
* Restructure Retiree Prescription Drug Benefit		(3,649,640)	(3,868,618)	(4,100,735)	(4,346,779)	(4,607,586)
* Group Home and Nonpublic Placement Rates		(1,065,946)	(1,087,265)	(1,109,010)	(1,131,190)	(1,153,814)
* Agency Payments for Employee and Retiree Health		4,800,000				
* Medicaid Match for Nursing Home Assessments		22,500,000	23,400,000	24,336,000	25,309,440	26,321,818
TOTAL FEDERAL FUND EXPENDITURES	0	(23,934,643)	(38,705,673)	(46,536,806)	(39,841,073)	(40,457,576)
<u>REIMBURSABLE FUND EXPENDITURES</u>						
* Eliminate State Employee Merit Increases		(807,585)	(1,634,552)	(2,279,470)	(1,713,952)	(1,755,087)
* Restructure Retiree Prescription Drug Benefit		(375,285)	(397,802)	(421,670)	(446,970)	(473,788)
TOTAL REIMBURSABLE EXPENDITURES	0	(1,182,870)	(2,032,354)	(2,701,140)	(2,160,922)	(2,228,875)
<u>HIGHER EDUCATION EXPENDITURES</u>						
* Eliminate State Employee Merit Increases		(15,134,149)	(30,631,518)	(42,717,286)	(32,119,474)	(32,890,342)
* Restructure Retiree Prescription Drug Benefit		(5,778,784)	(6,125,511)	(6,493,042)	(6,882,625)	(7,295,583)
* Fees for Academic Program Review		93,606	93,606	93,606	93,606	93,606
TOTAL HIGHER EDUCATION EXPENDITURES	0	(20,819,327)	(36,663,423)	(49,116,722)	(38,908,493)	(40,092,319)
<u>BOND EXPENDITURES</u>						
* InterCounty Connector Payments		(10,000,000)				
* Aging Schools Program		6,108,990	6,108,990	6,108,990	6,108,990	6,108,990
TOTAL BOND EXPENDITURES	0	(3,891,010)	6,108,990	6,108,990	6,108,990	6,108,990

*Provision is also in the Budget Reconciliation and Financing Act of 2011. Additional information on the provision can be found in the fiscal note for HB 72/SB 87. Some numbers may vary due to the interaction of other provisions.

Appendix B1
Impact of Budget Reconciliation and Balancing Act on Education Aid – Fiscal 2012
(\$ in Thousands)

County	Per Pupil Foundation Reduction	GCEI Elimination	Elimination of Quality Teacher Incentives	Elimination of National Board Certification Fees	50% Reduction to Judy Hoyer Program	Total Impact on Education Aid
Allegany	(\$2,910)	\$0	\$0	\$0	(\$176)	(\$3,087)
Anne Arundel	(13,158)	(8,517)	0	0	(57)	(21,733)
Baltimore City	(34,722)	(21,212)	0	0	(451)	(56,385)
Baltimore	(23,760)	(5,156)	0	0	(192)	(29,109)
Calvert	(3,664)	(2,209)	0	0	(283)	(6,156)
Caroline	(1,700)	0	0	0	(182)	(1,882)
Carroll	(6,154)	(2,434)	0	0	(226)	(8,813)
Cecil	(4,278)	0	0	0	(183)	(4,461)
Charles	(6,812)	(3,335)	0	0	(370)	(10,517)
Dorchester	(1,325)	0	0	0	(180)	(1,505)
Frederick	(9,844)	(6,038)	0	0	(249)	(16,131)
Garrett	(841)	0	0	0	(191)	(1,032)
Harford	(9,271)	0	0	0	(39)	(9,310)
Howard	(9,473)	(4,813)	0	0	(214)	(14,500)
Kent	(315)	(131)	0	0	(172)	(617)
Montgomery	(24,891)	(30,666)	0	0	(395)	(55,952)
Prince George's	(38,120)	(36,942)	0	0	(354)	(75,417)
Queen Anne's	(1,346)	(529)	0	0	(195)	(2,070)
St. Mary's	(3,938)	(211)	0	0	(230)	(4,379)
Somerset	(967)	0	0	0	(5)	(972)
Talbot	(457)	0	0	0	(191)	(648)
Washington	(6,452)	0	0	0	(245)	(6,698)
Wicomico	(4,645)	0	0	0	(223)	(4,868)
Worcester	(725)	0	0	0	(171)	(897)
Unallocated	0	0	(4,192)	(1,040)	(112)	(5,344)
Total	(\$209,770)	(\$122,193)	(\$4,192)	(\$1,040)	(\$5,288)	(\$342,482)

Appendix B2
Total Impact on Fiscal 2012 Direct Local Aid
(\$ in Thousands)

County	Local Boards of Education	Library Aid	Community College Aid	County Municipal Aid			Total Impact on Direct Local Aid
				Disparity Grants*	Program Open Space**	Special Crime Grants	
Allegany	(\$3,087)	(\$53)	(\$235)	(\$2,919)	(\$232)	\$0	(\$6,526)
Anne Arundel	(21,733)	(141)	(1,332)	0	(2,509)	(296)	(26,011)
Baltimore City	(56,385)	(454)	0	(31,621)	(1,686)	(10,260)	(100,406)
Baltimore	(29,109)	(371)	(1,684)	0	(2,779)	0	(33,942)
Calvert	(6,156)	(28)	(101)	0	(245)	0	(6,530)
Caroline	(1,882)	(19)	(64)	(853)	(120)	0	(2,938)
Carroll	(8,813)	(72)	(335)	0	(557)	0	(9,777)
Cecil	(4,461)	(51)	(228)	0	(297)	0	(5,037)
Charles	(10,517)	(58)	(320)	0	(502)	0	(11,397)
Dorchester	(1,505)	(17)	(58)	(809)	(118)	0	(2,508)
Frederick	(16,131)	(88)	(395)	0	(572)	0	(17,185)
Garrett	(1,032)	(9)	(111)	(853)	(136)	0	(2,140)
Harford	(9,310)	(109)	(486)	0	(858)	0	(10,763)
Howard	(14,500)	(59)	(615)	0	(1,447)	(225)	(16,845)
Kent	(617)	(7)	(26)	0	(209)	0	(859)
Montgomery	(55,952)	(194)	(1,749)	0	(3,722)	0	(61,618)
Prince George's	(75,417)	(401)	(1,074)	0	(3,137)	(3,761)	(83,790)
Queen Anne's	(2,070)	(10)	(72)	0	(155)	0	(2,307)
St. Mary's	(4,379)	(42)	(109)	0	(277)	0	(4,807)
Somerset	(972)	(18)	(33)	(1,963)	(73)	0	(3,060)
Talbot	(648)	(7)	(57)	0	(161)	0	(873)
Washington	(6,698)	(82)	(341)	0	(439)	0	(7,559)
Wicomico	(4,868)	(60)	(212)	(879)	(305)	(327)	(6,650)
Worcester	(897)	(10)	(85)	0	(305)	0	(1,296)
Unallocated	(5,344)	(1,717)	(3,709)	0	0	(5,399)	(16,169)
Total	(\$342,482)	(\$4,078)	(\$13,429)	(\$39,896)	(\$20,841)	(\$20,268)	(\$440,995)

*All seven counties noted continue to receive grants, but at a lower amount; the grant for Prince George's County (\$11.2 million) is not decreased by the bill.

**Approximately \$7 million of the reduction is replaced with general obligation bond funding in the proposed fiscal 2012 capital budget.

Appendix B3
Fiscal 2012 Costs Shifted to Local Governmental Units in Budget Reconciliation and Balancing Act
(\$ in Thousands)

County	Local Teachers' Retirement	WMATA Subsidies	Circuit Court Law Clerks	SEED School	Convention Centers*	Education Costs for Children in State Care	National Board Certification Fees	Total New Costs for Counties
Allegany	\$5,838	\$0	\$109	\$0	\$0	\$0	\$0	\$5,947
Anne Arundel	41,065	0	655	0	0	0	0	41,720
Baltimore City	44,129	0	1,801	0	4,063	0	0	49,993
Baltimore	56,382	0	982	0	0	0	0	57,364
Calvert	9,597	0	109	0	0	0	0	9,706
Caroline	2,831	0	55	0	0	0	0	2,886
Carroll	14,428	0	164	0	0	0	0	14,592
Cecil	8,607	0	164	0	0	0	0	8,771
Charles	14,088	0	218	0	0	0	0	14,306
Dorchester	2,418	0	55	0	0	0	0	2,473
Frederick	21,024	0	218	0	0	0	0	21,242
Garrett	2,501	0	55	0	0	0	0	2,555
Harford	20,087	0	273	0	0	0	0	20,360
Howard	34,219	0	273	0	0	0	0	34,492
Kent	1,336	0	55	0	0	0	0	1,391
Montgomery	99,337	26,400	1,200	0	0	0	0	126,937
Prince George's	71,372	33,600	1,255	0	0	0	0	106,227
Queen Anne's	3,890	0	55	0	0	0	0	3,944
St. Mary's	8,434	0	164	0	0	0	0	8,597
Somerset	1,685	0	55	0	0	0	0	1,740
Talbot	2,272	0	55	0	0	0	0	2,326
Washington	11,332	0	273	0	0	0	0	11,605
Wicomico	7,990	0	164	0	0	0	0	8,153
Worcester	4,478	0	164	0	1,336	0	0	5,978
Unallocated	0	0	0	7,700	0	5,200	(600)	12,300
Total	\$489,340	\$60,000	\$8,567	\$7,700	\$5,400	\$5,200	(\$600)	\$575,606

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

Appendix B4
Total Fiscal 2012 Impact on Local Governmental Units
(\$ in Thousands)

County	Reduction in Local Aid	Elimination of State Park PILOTs	Reduction in Aid and Payments to Counties	Total New Costs for Local Governments	Total Impact
Allegany	(\$6,526)	(\$224)	(\$6,751)	\$5,947	(\$12,698)
Anne Arundel	(26,011)	(280)	(26,291)	41,720	(68,011)
Baltimore City	(100,406)	0	(100,406)	49,993	(150,399)
Baltimore	(33,942)	(120)	(34,062)	57,364	(91,426)
Calvert	(6,530)	(4)	(6,534)	9,706	(16,240)
Caroline	(2,938)	(36)	(2,975)	2,886	(5,860)
Carroll	(9,777)	(13)	(9,790)	14,592	(24,382)
Cecil	(5,037)	(102)	(5,139)	8,771	(13,909)
Charles	(11,397)	(24)	(11,421)	14,306	(25,728)
Dorchester	(2,508)	(21)	(2,529)	2,473	(5,002)
Frederick	(17,185)	(93)	(17,278)	21,242	(38,520)
Garrett	(2,140)	(639)	(2,779)	2,555	(5,334)
Harford	(10,763)	(24)	(10,787)	20,360	(31,147)
Howard	(16,845)	(39)	(16,884)	34,492	(51,376)
Kent	(859)	0	(859)	1,391	(2,250)
Montgomery	(61,618)	(37)	(61,655)	126,937	(188,592)
Prince George's	(83,790)	(23)	(83,813)	106,227	(190,041)
Queen Anne's	(2,307)	(3)	(2,310)	3,944	(6,254)
St. Mary's	(4,807)	(81)	(4,889)	8,597	(13,486)
Somerset	(3,060)	(56)	(3,116)	1,740	(4,855)
Talbot	(873)	(2)	(875)	2,326	(3,202)
Washington	(7,559)	(13)	(7,572)	11,605	(19,177)
Wicomico	(6,650)	(38)	(6,688)	8,153	(14,841)
Worcester	(1,296)	(504)	(1,800)	5,978	(7,778)
Unallocated/Statewide	(16,169)	0	(16,169)	12,300	(28,469)
Total	(\$440,995)	(\$2,375)	(\$443,370)	\$575,606	(\$1,018,976)