SB 87

Department of Legislative Services

Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 87 (The President)(By Request - Administration)
Budget and Taxation

Budget Reconciliation and Financing Act of 2011

This Administration 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, increasing special fund revenues, and using special and other funds to cover general fund costs.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: General fund revenues increase $31.0 million in FY 2011 and $367.7 million in FY 2012 due to revenue enhancements, 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 $798.6 million in FY 2012 due to fund swaps, mandate relief, and cost control actions, offset somewhat by new costs. Of the net FY 2012 general fund expenditure reduction, $442.8 million is contingent on actions in the bill and $356.3 million is already assumed in the proposed FY 2012 State budget. Other fund types are also affected by the changes, including net special fund revenue increases of $196.4 million in FY 2012. Future years reflect ongoing effects. **This bill reduces mandated appropriations.**

($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	$31.0	$367.7	$109.0	$89.6	$91.5
SF Revenue	($23.3)	$196.4	$295.5	$320.3	$333.4
FF Revenue	$0	$22.5	$23.4	$24.3	$25.3
NonBud Rev.	$0	$.9	$1.2	$.4	$.4
GF Expenditure	($2.5)	($798.6)	($670.3)	($704.9)	($678.2)
SF Expenditure	$2.4	$142.3	$287.2	$290.5	$318.4
FF Expenditure	$0	($12.6)	($23.1)	($26.6)	($19.4)
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	$1,282.5	$867.9	$921.2	$864.8

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

Local Effect: Local revenues from direct State aid decrease by $122.4 million in FY 2012, and State payments in lieu of taxes (PILOTs) to counties decrease local revenues by an additional $2.4 million. State payments on behalf of local employees through the teachers' retirement program decrease by an additional $79.9 million in FY 2012 due to benefit changes. County payments for property valuation and for the education of some students in State-supervised care increase by an estimated $40.0 million. **This bill imposes mandates on units of local government.**

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

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

Background: 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. This bill is introduced to implement statutory changes needed to generate the recommended structural changes, while also executing one-time measures needed to ensure that the budget is balanced in fiscal 2012. In combination with the proposed fiscal 2012 budget bill (House Bill 70/Senate Bill 85), this bill leaves the State with a $120 million fund balance by the end of fiscal 2012, as estimated by the Administration.

In addition to reducing the State's structural budget problems and balancing the fiscal 2012 budget, the bill also 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 bill begin to address the liabilities by restructuring pension benefits for current and future State and local employees and health benefits for State retirees.

State Fiscal Effect: Estimates of the fiscal 2011 and 2012 impact of the bill on the State's general fund are shown in **Exhibit 1**. The table indicates that the bill improves the State's general fund position by $33.5 million in fiscal 2011, mostly due to the redirection of dedicated revenue streams and fund balance transfers. In fiscal 2012, the bill improves the general fund outlook by an additional $1.17 billion through a combination of revenue and expenditure actions. The two-year impact on the general fund sums to $1.2 billion.

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

	FY 2011	**FY 2012**
Revenues		
Redirected Special Fund Revenues	$23.3	$121.0
Fund Balance Transfers	7.7	204.2
Revenue Enhancements	0.0	42.5
Revenue Subtotal	$31.0	$367.7
Expenditures		
Fund Swaps and Cost Shifts	($2.5)	($509.5)
Cost Control Measures	0.0	(199.5)
Mandate Relief	0.0	(104.5)
Administrative and Other Costs	0.0	14.9
Expenditure Subtotal	($2.5)	($798.6)
General Fund Improvement	**$33.5**	**$1,166.4**

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 6). The fiscal 2011 to 2016 State effects for each provision, including the general fund impacts and the effects on any other fund types, are included with the discussions. Charts identifying and totaling the fiscal impact of separate provisions by fund type are provided in **Appendix B** (pages 113-117).

Local Fiscal Effect: Direct aid to local jurisdictions decreases $122.4 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 PILOTs to counties decrease by another $2.4 million, bringing the reduction in local revenues to $124.7 million. In addition, an estimated $40.0 million in State costs will be shifted to counties in fiscal 2012. The aggregate fiscal 2012 impact of the bill on local government units is detailed in **Exhibit 2**.

Exhibit 2
Impact of the Budget Reconciliation and Financing Act of 2011
on Local Governments
Fiscal 2012
($ in Millions)

Impact on Local Revenues	
Direct State Aid	
Education Aid (Decrease in Per Pupil Foundation Amount)	($93.7)
Program Open Space	(20.8)
Libraries	
Local Libraries	(2.4)
State and Regional Resource Centers	(1.7)
Community College Statewide and Health Manpower Grants	(3.7)
Direct Aid Subtotal	($122.4)
State Parks and Forests – State Payments in lieu of Taxes	(2.4)
Local Revenues Subtotal	($124.7)
Costs Shifted to Counties	
State Department of Assessments and Taxation – Property Valuation	$34.8
Education Costs for Children in State-supervised Care	5.2
Local Costs Subtotal	$40.0
Total Direct Impact on Local Governmental Units	**($164.8)**

In addition to the loss of local revenues and the costs that are shifted to counties, State payments on behalf of local school, library, and community college boards are reduced by a total of $79.9 million in fiscal 2012. This does not directly impact the boards since the State pays 100% of these costs; however, proposed changes to the State Teachers' Pension System, which allow the State to recognize the savings, reduce the benefits that local board employees will receive.

When applicable, the discussions of individual provisions in Appendix A include sections describing the local effect of each provision. Fiscal 2012 local impacts are shown by county in **Appendices C1** to **C4** (pages 118-121).

Additional Information

Prior Introductions: None.

Cross File: HB 72 (The Speaker)(By Request - Administration) - Appropriations.

Information Source(s): Caroline, Calvert, Garrett, Howard, Prince George's, and Montgomery counties; Baltimore City; State Department of Assessments and Taxation; Maryland Department of Agriculture; CareFirst Blue Cross/Blue Shield; Baltimore City Community College; Department of Business and Economic Development; Board of Public Works; Department of Budget and Management; Department of Human Resources; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland Department of the Environment; Maryland Institute for Emergency Medical Services Systems; Maryland Food Center Authority; Governor's Office; Department of General Services; Department of Housing and Community Development; Maryland Higher Education Commission; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Injured Workers' Insurance Fund; Independent College and University Association; Comptroller's Office; Judiciary (Administrative Office of the Courts); Department of Juvenile Services; Department of Labor, Licensing, and Regulation; Mercer Human Resources Consulting; Maryland Association of Counties; Maryland Energy Administration; Maryland Municipal League; Department of State Police; Morgan State University; Maryland State Retirement Agency; Department of Public Safety and Correctional Services; Public School Construction Program; Subsequent Injury Fund; St. Mary's College; Maryland Department of Transportation; Maryland State Treasurer's Office; Uninsured Employers' Fund; University System of Maryland; University of Maryland Medical System; Workers' Compensation Commission; Department of Legislative Services

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mc/rhh

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Federal Medicare Part D Employer Reimbursement Subsidy

Provisions in the Bill: Redirect the federal Medicare Part D employer reimbursement subsidy to the general fund beginning in fiscal 2011. Under current law, these funds are deposited in the State Employee Health and Welfare Benefits Fund in fiscal 2011 and 2012 and in the Postretirement Health Benefits Trust Fund in fiscal 2013 and future years.

Agency: Department of Budget and Management

Type of Action: Dedicated revenue relief

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
			($ in millions)			
GF Rev	$23.0	$24.0	$25.4	$27.0	$28.6	$30.3
SF Rev	(23.0)	0	(25.4)	(27.0)	(28.6)	(30.3)
GF Exp	0	14.4	0	0	0	0
SF Exp	0	4.8	0	0	0	0
FF Exp	0	4.8	0	0	0	0

State Effect: General fund revenues increase by $23.0 million in fiscal 2011, coupled with an equivalent reduction in special fund revenues. A fund balance in the State Employee Health and Welfare Benefits Fund will offset the loss of these revenues, which will be depleted at the end of fiscal 2011.

In fiscal 2012, general fund revenues increase by $24.0 million. The redirection of these funds out of the State Employee Health and Welfare Benefits Fund means that agency appropriations for retiree health expenses will need to increase by an amount equivalent to the lost revenue. The increased spending will be made up of general ($14.4 million), special ($4.8 million), and federal ($4.8 million) funds.

In fiscal 2013, general fund revenues increase by an estimated $25.4 million, and special fund revenues for the Postretirement Health Benefits Trust Fund decrease by the same amount. Future year estimates assume a 6% annual growth rate, which reflects projected increases in retiree prescription drug costs.

Program Description: The State Employee Health and Welfare Benefits Fund holds State subsidies to employee and retiree health care coverage plans, as well as the required employee and retiree contributions to the plans. Chapter 466 of 2004 established the Postretirement Health Benefits Trust Fund to assist the State in financing the postretirement health insurance subsidy paid by the State.

Recent History: Beginning in fiscal 2006, any subsidy received by the State that was provided to employers as a result of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 or other similar federal subsidy was to be deposited into the Postretirement Health Benefits Trust Fund. However, the Budget Reconciliation and Financing Act of 2005 (Chapter 444) diverted the Medicare Part D subsidy from the fund to pay for employee and retiree health premiums in fiscal 2006 and 2007. Chapter 355 of 2007 restored proceeds from the federal subsidy to the Postretirement Health Benefits Trust Fund beginning in fiscal 2008. The Budget Reconciliation and Financing Act of 2009 (Chapter 484), however, again redirected these revenues, requiring the funds to be deposited in the State Employee Health and Welfare Benefits Fund from fiscal 2010 to 2012.

Location of Provision(s) in the Bill: Sections 3 and 10 (pp. 32-33, 48, and 60)

Analysis prepared by: Dylan R. Baker

Traffic Conviction Surcharges – Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program

Provision in the Bill: Requires an amount annually set forth in the State budget from the $7.50 surcharge on certain traffic convictions to be distributed to the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program. Any amount collected from the surcharge after the distribution to the Riley program is credited 50% to the Volunteer Company Assistance Fund (VCAF) and 50% to the general fund. Once $20 million has been credited to VCAF, all surcharges are credited to the general fund after the annual distribution to the Riley program.

Agencies: Military Department; Maryland State Firemen's Association; Maryland Higher Education Commission

Type of Action: Dedicated revenue relief; fund swap

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0.3	$4.1	($2.7)	($2.7)	($0.3)	($0.3)
SF Rev	(0.3)	(4.1)	2.7	2.7	0.3	0.3
GF Exp	0.0	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
SF Exp	0.0	0.3	0.3	0.3	0.3	0.3

State Effect: General fund revenues increase by an estimated $267,000 in fiscal 2011, which reflects the bill's June 1, 2011 effective date, and assumes that an estimated $534,000 in surcharge revenues generated in June 2011 will be split between the general fund and VCAF. There is a corresponding decrease in special fund revenues for VCAF in fiscal 2011.

In fiscal 2012, general fund revenues increase by an estimated $4.1 million, which represents 50% of the remaining traffic conviction surcharge revenues after the amount needed to support the Riley program ($340,979) is spent. VCAF revenues decrease by $4.4 million and special fund revenues and expenditures supporting the Riley program increase by $340,979. The proposed fiscal 2012 State budget includes a general fund expenditure reduction of $340,979 that is contingent on the enactment of legislation authorizing the transfer of funds from VCAF. Proposed budget language also grants authorization to process a special fund budget amendment to replace the general funds.

VCAF is expected to reach $20 million in credited revenues in fiscal 2013 under current law, while, under the bill, $20 million is reached in fiscal 2014. As a result, fiscal 2013 and 2014 general fund revenues decrease $2.7 million annually, with commensurate increases in VCAF revenues. General fund expenditures decrease by $340,979 annually, with equivalent special fund expenditure increases that represent the shift in support for the Riley program from general to special funds.

In fiscal 2015 and future years, revenue and expenditure effects simply reflect the crediting of $340,979 annually to a special fund that will be used to pay tuition reimbursements under the Riley program.

Program Description: The Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program provides reimbursement of tuition costs up to $6,500 annually for courses leading to a degree in fire service technology or emergency medical technology at an accredited Maryland institution. In fiscal 2010, 125 individuals received reimbursement through the program.

Chapter 240 of 2000 established VCAF, which is administered by the Maryland State Firemen's Association and the Military Department. The purpose of VCAF is to provide grants and loans to volunteer fire, rescue, and ambulance companies for the purchase, replacement, or improvement of firefighting and rescue equipment or facilities. The fund receives revenues from a $7.50 surcharge on most traffic convictions.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the Charles W. Riley program to award full *or partial* tuition reimbursement. The Riley program has been appropriated $340,979 annually since fiscal 2010, although program expenditures vary based on award cancellations and transfers into the program from other scholarship sources.

Chapter 416 of 2006 required that half of the surcharges on traffic convictions be allocated to the State Police Helicopter Replacement Fund and half to VCAF. Chapter 735 of 2010 expanded the application of the fees to apply to nearly all traffic convictions and amended the distribution to require that all of the surcharge revenues be allocated to VCAF until $20 million has been credited to the fund. After the $20 million goal is reached, surcharges will instead be credited to the general fund. Chapter 484 required that 75% of the revenues generated from the surcharge for certain traffic convictions be distributed to the general fund in fiscal 2010, with the remaining 25% credited to the VCAF.

From fiscal 2007 to 2010, $3.3 million was credited toward the $20 million target for VCAF. Surcharge revenues are expected to total $6.0 million in fiscal 2011 and $8.5 million annually thereafter.

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

Analysis prepared by: Rachel N. Silberman

Gasoline and Motor Vehicle Revenue Account Distribution

Provisions in the Bill: Modify the distribution of revenues from the Gasoline and Motor Vehicle Revenue Account (GMVRA). Specifically, in fiscal 2012 only, the bill reduces the Maryland Department of Transportation's (MDOT) share of revenues from 71.5% to 65.5%; increases the share of revenues distributed to the general fund from 20.4% to 24.01931%; and distributes 2.38069% to the Revenue Stabilization Account.

The modified distribution of revenues to MDOT does not apply unless sufficient funds are included in the budget bill (SB 85/HB 70) for MDOT to pay in fiscal 2012 the debt service on MDOT's consolidated transportation bonds issued prior to July 1, 2011.

Agency: Maryland Department of Transportation

Type of Action: Dedicated revenue relief; fund swap

Fiscal Impact:	***($ in millions)*** **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$60.0	$0	$0	$0	$0
SF Rev	0	(99.5)	0	0	0	0
GF Exp	0	(39.5)	0	0	0	0

State Effect: General fund revenues increase by an estimated $60.0 million in fiscal 2012 due to the increase in the percentage of revenues allocated to the general fund. Transportation Trust Fund revenues decrease by an estimated $99.5 million in fiscal 2012 due to the decrease in the percentage of revenues retained by MDOT. As a result of the decrease in MDOT's share of the revenues, MDOT indicates that it has reduced the State Highway Administration's capital program for system preservation program by $99.5 million.

As a result of the distribution of a portion of the revenues to the Revenue Stabilization Account, general fund expenditures decrease by an estimated $39.5 million in fiscal 2012; it is assumed that, in the absence of this provision, general funds, rather than special funds, would be used to maintain a balance of 5.0% of estimated general fund revenues in that account.

It is assumed the bill's proposed changes to the distribution of GMVRA revenues take effect, as there is sufficient funding in the proposed fiscal 2012 State budget for MDOT to pay the debt service on its bonds.

Program Description: MDOT is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including the construction and maintenance of State roads, regulation and licensing of drivers and vehicles, and operation of bus and rail transit services. In addition, MDOT owns and operates Martin State Airport, Baltimore/Washington International Thurgood Marshall Airport, and terminals in the Helen Delich Bentley Port of Baltimore.

The Revenue Stabilization Account (also known as the Rainy Day Fund) was established in 1986 to retain State revenues to meet future needs and to reduce the need for future tax increases by moderating revenue growth. The account consists of direct appropriations in the budget bill and interest earned from all State reserve fund accounts. Although State law requires a minimum balance of 7.5% of estimated general fund revenues, the Governor is authorized to transfer funds from the account to the general fund as necessary to support the operation of State government on a temporary basis if the transfer (1) does not result in an account balance below 5.0% of the estimated general fund revenues for the fiscal year in which the transfer is made; and (2) is authorized by either an Act of the General Assembly or the State budget bill as enacted. Credit rating agencies recommend that states maintain a 5.0% fund balance.

Recent History: Previously, GMVRA revenues, otherwise known as Highway User Revenues (HUR), had been distributed to MDOT (70%) and local jurisdictions (30%). The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced the local share of HUR by $161.9 million in fiscal 2010 and $101.9 million in fiscal 2011 and transferred that revenue to the general fund. The Budget and Reconciliation Act of 2010 (Chapter 484) further altered the allocations to provide for an ongoing distribution of revenues from the local share of HUR to the general fund. Under current law, for fiscal 2012, GMVRA revenues are required to be distributed as follows: (1) 20.4% to the general fund; (2) 71.5% to TTF; and (3) the balance to the counties, municipalities, and Baltimore City.

Location of Provision(s) in the Bill: Sections 3 and 26 (pp. 54 and 64)

Analysis prepared by: Jonathan D. Martin

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provisions in the Bill: Redirect specified amounts of the revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals from the 2010 trust fund to the general fund in fiscal 2012 through 2016, as shown in **Exhibit 3**.

Exhibit 3
Proposed Revenue Transfers from the 2010 Trust Fund to the General Fund
Fiscal 2012-2016

Fiscal	Motor Fuel Tax	Short-term Vehicle Rentals Sales and Use Tax	Total
2012	$5,000,000	$13,669,444	$18,669,444
2013	5,000,000	10,076,582	15,076,582
2014	5,000,000	6,535,845	11,535,845
2015	5,000,000	3,049,199	8,049,199
2016	4,624,687	0	4,624,687

Source: Department of Legislative Services

Agency: Department of Natural Resources

Type of Action: Dedicated revenue relief

Fiscal Impact: ($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0	$18.7	$15.1	$11.5	$8.0	$4.6
SF Rev	0	(18.7)	(15.1)	(11.5)	(8.0)	(4.6)
SF Exp	0	(18.7)	(15.1)	(11.5)	(8.0)	(4.6)

State Effect: General fund revenues increase by $18.7 million in fiscal 2012, with a corresponding decrease in special fund revenues and expenditures. The proposed fiscal 2012 State budget includes $43.7 million for the trust fund in the Department of Natural Resources' budget, but that amount is reduced by $18.7 million contingent on the enactment of legislation to allocate the trust fund revenues to the general fund. Accordingly, the trust fund receives an estimated $25.0 million in fiscal 2012 as a result of this bill.

Future years reflect ongoing redirection of revenues through fiscal 2016. Based on current revenue estimates, the estimated amount of funding provided to the trust fund in the out-years is as follows: (1) $30.0 million in fiscal 2013; (2) $35.0 million in fiscal 2014; (3) $40.0 million in fiscal 2015; and (4) $45.0 million in fiscal 2016.

Local Effect: Local government revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund decrease due to the reduction in funding for the program. 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 the contingent reduction. *For illustrative purposes*, assuming local governments would have received between 20.0% and 25.0% of the proposed transfer in the absence of the bill, local revenues decrease by an estimated $3.7 million to $4.7 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.

Program Description: Chapter 6 of the 2007 special session established the Chesapeake Bay 2010 Trust Fund and provided financing for the fund by dedicating a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals to the trust fund. The trust fund was expanded and renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund by Chapters 120 and 121 of 2008, which, among other things, required that the trust fund be used for nonpoint source pollution control projects. The BayStat Subcabinet administers the trust fund.

Recent History: The trust fund was originally anticipated to receive an estimated $50.0 million in annual revenues, but revenues have declined due to the sluggish economy (to $38.2 million in fiscal 2009, $41.5 million in fiscal 2010, and an estimated $42.4 million in fiscal 2011). In addition, recent budget reconciliation legislation redirected funds from the trust fund to the general fund, as shown in **Exhibit 4**. The trust fund received $9.6 million, $8.8 million, and $20.0 million in the fiscal 2009 through 2011 State budgets, respectively.

Exhibit 4
2010 Trust Fund Transfers to the General Fund
Fiscal 2009-2011
($ in Millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Transfers to General Fund			
Chapter 414 of 2008	$25.0		
Chapter 487 of 2009		$21.5	
Chapter 484 of 2010		10.5 *	$22.1
Total Transfers	**$25.0**	**$32.0**	**$22.1**

*Included $8.0 million in fiscal 2010 revenues and $2.5 million in fund balance.

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 3 (pp. 49-51)

Analysis prepared by: Lesley G. Cook

Special Fund Interest

Provision in the Bill: Credits all interest earned on special funds of the State to the general fund except for special funds and accounts that are specifically identified and exempted from the requirement or where doing so would be inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement.

Agencies: Multiple

Type of Action: Dedicated revenue relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$11.0	$11.0	$11.0	$11.0	$11.0
SF Rev	0	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)

State Effect: General fund revenues increase by an estimated $11.0 million annually beginning in fiscal 2012 due to the crediting of special fund interest to the general fund. Special fund revenues decrease by equal amounts due to the loss of interest that would normally accrue to the individual funds and accounts. Special fund interest is already credited to the general fund in fiscal 2011.

Program Description: Approximately 200 State accounts accrue interest, and approximately 70 of these accounts are not exempted from this provision. In the first half of fiscal 2011, interest on the nonexempted accounts totaled $5.4 million. The Transportation Trust Fund is the largest fund included in the provision and contributed $3.0 million of the $5.4 million in accrued interest during this time period. Other larger special funds that accrued interest include the Real Property Records Improvement Fund ($433,044); the Cigarette Restitution Fund ($280,498); Rental Housing Programs ($192,435); half the interest from the 9-1-1 Trust Fund ($179,279); the Community Health Resources Commission Fund ($108,139); and the Oil Disaster Containment, Clean-up, and Contingency Fund ($103,880).

The proposed fiscal 2012 State budget assumes revenues of $11.0 million in fiscal 2012 from this provision. This same amount is assumed for future years, but the total amount will vary from year to year based on interest rates and the balances in the funds.

Recent History: A similar provision in the Budget Reconciliation and Financing Act of 2010 (Chapter 484) captures special fund interest for the general fund for fiscal 2010 and 2011 only.

Location of Provision(s) in the Bill: Section 3 (pp. 28-31)

Analysis prepared by: Steven D. McCulloch

Special Fund for the Preservation of Cultural Arts

Provision in the Bill: Requires, for fiscal 2012 only, that $1,000,000 derived from the admissions and amusement tax imposed on electronic bingo and tip jar machines be distributed to the Special Fund for the Preservation of Cultural Arts in Maryland and the balance be distributed to the general fund.

Agency: Department of Business and Economic Development

Type of Action: Dedicated revenue relief

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$3.2	$0	$0	$0	$0
SF Rev	0	(3.2)	0	0	0	0

State Effect: General fund revenues increase by $3.2 million in fiscal 2012 with a corresponding decrease in revenues for the Special Fund for the Preservation of Cultural Arts in Maryland. Future years are not affected.

Program Description: The Special Fund for Preservation of Cultural Arts in Maryland is a special, nonlapsing fund in the Department of Business and Economic Development that consists of State admissions and amusement tax revenue and any other money accepted for the benefit of the fund. The fund is used to provide emergency grants and it may be used only for preventing the closure, termination, or financial distress of cultural arts organizations, including museums, or similar entities in the State.

Recent History: 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.

Location of Provision in the Bill: Section 3 (p. 49)

Analysis prepared by: Jody J. Sprinkle

Telecommunications Recoveries

Provision in the Bill: Redirects commissions, rebates, refunds, rate reductions, or telecommunications bypass agreements resulting from information technology services or purchases from the Major Information Technology Development Project Fund (MITDPF) to the general fund.

Agency: Department of Information Technology

Type of Action: Dedicated revenue relief

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$0	increase	increase	increase	increase
SF Rev	0	0	decrease	decrease	decrease	decrease

State Effect: Under current law, telecommunications recoveries are deposited in the general fund in fiscal 2011 and 2012 and in MITDPF in fiscal 2013 and future years. This provision makes the redirection of these revenues permanent so that all subsequent telecommunications recoveries will be deposited into the general fund instead of MITDPF. However, the amount of any recoveries cannot be reliably estimated at this time.

Program Description: The State is currently litigating three telecommunications cases totaling nearly $19 million in claims that it hopes to recover. The Department of Information Technology (DoIT) advises that these cases are currently with the Maryland State Board of Contract Appeals. The Attorney General's Office notes that these cases are likely to be appealed to the circuit court and could also be appealed to the Court of Special Appeals and Court of Appeals. The cases usually take years to resolve, so it is unlikely that any revenues will be received in fiscal 2011 or 2012. It is also unclear how much the State will receive should it ultimately prevail in the cases.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) requires that all money received from May 1, 2010 through June 30, 2010, and for each of fiscal 2011 and 2012, as commissions, rebates, refunds, rate reductions, or telecommunications bypass agreements resulting from information technology services or purchases be credited into the general fund instead of MITDPF. Prior to May 1, 2010, the funds were credited into MITDPF.

Location of Provision(s) in the Bill: Section 3 (pp. 27-28)

Analysis prepared by: Patrick S. Frank

Transfer Tax Special Fund

Provisions in the Bill: Authorize the transfer of $5,591,172 in transfer tax revenues to the general fund in fiscal 2011 and the transfer of $94,491,115 in transfer tax revenues to the general fund in fiscal 2012. The transfers may not be taken into account for purposes of determining any allocation or appropriation of State transfer tax revenues under Tax-Property Article §§ 13-209(f) or (g).

Agencies: Department of Natural Resources; Maryland Department of Agriculture

Type of Action: Fund balance transfer; fund swap

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$5.6	$94.5	$0	$0	$0	$0
SF Exp	0	(94.5)	0	0	0	0

State Effect: General fund revenues increase by $5.6 million in fiscal 2011 and by $94.5 million in fiscal 2012 due to the transfers.

The proposed fiscal 2012 State budget for land conservation programs within the Department of Natural Resources (DNR) is reduced by $66.3 million contingent upon the enactment of legislation crediting transfer tax revenues to the general fund. Budget bill language allocates the reduction as follows: Program Open Space (POS) State share, $21.6 million; POS local share, $20.8 million; POS capital improvements, $10.1 million; and Rural Legacy, $13.8 million. In addition, the proposed fiscal 2012 State budget for the Maryland Agricultural Land Preservation Foundation (MALPF) within the Maryland Department of Agriculture (MDA) is reduced by $19.6 million contingent on legislation crediting transfer tax revenues to the general fund. Finally, the transfer includes $8.6 million in unallocated overattainment of revenues from fiscal 2010. Legislative Services advises that this amount is not included in the proposed fiscal 2012 State budget; however, under current law it would be appropriated in fiscal 2012 and is therefore included in the $94.5 million decrease in special fund expenditures that results from this provision of the bill.

The bill stipulates that Tax-Property Article §§ 13-209(f) or (g) do not apply to the transfers authorized by this provision. Exempting the transfers from these statutory provisions allows the funds to be transferred without future repayment to the affected programs. Instead, although not required by this bill, the transferred funds are replaced over a three-year period (fiscal 2012 through 2014), as provided in the proposed fiscal 2012 capital budget, which includes preauthorization language for the replacement of funds planned for fiscal 2013 and 2014. The proposed transfers and the proposed replacement schedule are shown by agency in **Exhibit 5**.

Exhibit 5
Proposed Fiscal 2012 Transfers and Proposed Replacement Schedule by Agency
($ in Millions)

	MDA	DNR	Total
FY 2012 Transfer	**$19.56**	**$66.31**	**$85.87**
FY 2012 GO Bond Replacement	4.37	21.13	25.50
FY 2013 GO Bond Replacement	6.52	21.57	28.09
FY 2014 GO Bond Replacement	6.52	18.73	25.25
FY 2012-2014 Total Replacement	**$17.41**	**$61.43**	**$78.84**

Note: The total amount of fiscal 2012-2014 GO bond replacement reflected for MDA is $2.15 million less than the transferred amount. This adjustment is made to account for the over-authorization of GO bond replacement funds authorized in the fiscal 2011 capital budget bill for transfers authorized in the Budget Reconciliation and Financing Act (BRFA) of 2010 (Chapter 484). The total amount of fiscal 2012-2014 GO bond replacement reflected for DNR is $4.88 million less than the transferred amount. This adjustment is made to account for the over-authorization of GO bond replacement funds authorized in the fiscal 2011 capital budget bill for transfers authorized in the 2010 BRFA in the amount of $2.51 million and another $2.37 million that is not proposed to be replaced for DNR Natural Resources Development and Critical Maintenance Program projects where the funds authorized exceeded the total project costs.

Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

It is assumed that, without the transfer, special funds rather than GO bonds would have been used to support the programs in fiscal 2012. Thus, special fund expenditures decrease by $94.5 million in fiscal 2012.

Local Effect: Local governments receive grants for land acquisition, the development of park and recreational facilities, and the purchase of easements funded through the local share of POS, Rural Legacy, and MALPF. Under this bill, a total of $54.2 million is transferred from these programs (including $20.8 million in funds from the POS local share); however, those funds are programmed to be replaced from fiscal 2012 through 2014 with GO bond funds as provided in the proposed fiscal 2012 capital budget (including preauthorizations for fiscal 2013 and 2014). If the fiscal 2012 capital budget as enacted provides for this replacement, some of the funding that otherwise would have been provided to local governments in fiscal 2012 may be delayed, but the total amount provided over the three-year period is not affected. The fiscal 2012 reduction by county resulting from the $20.8 million transfer from the POS local share is shown in **Appendix C2**.

Program Description: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another has been used to fund several land conservation programs in DNR and MDA. First, transfer tax revenues for debt service on POS Acquisition Opportunity Loan of 2009 GO bond authorizations are credited to the Annuity Bond Fund. Second, before any program-specific allocations are made, 3% of the transfer tax is distributed to DNR and the other agencies involved in POS for their administration of the program. Third, approximately 76% of the remaining transfer tax historically has been allocated to POS, which has three main components: a State share, local share, and Maryland Park Service operations share. All other funds are allocated to the Rural Legacy Program, MALPF, and the Heritage Conservation Fund pursuant to statute.

Recent History: State transfer tax revenue and unexpended balances have been redirected and transferred to the general fund in recent years pursuant to budget reconciliation legislation. As shown in **Exhibit 6**, from fiscal 2006 to 2011, a total of $469.0 million in transfer tax revenue and fund balances has been redirected, of which $364.9 million has been or is scheduled to be replaced through fiscal 2013 pursuant to current law.

Exhibit 6
Transfer Tax Transferred to the General Fund and Replacement Schedule under Current Law, Reflecting Actions Taken through the 2010 Session
Fiscal 2006-2013
($ in Millions)

Fiscal Year	Transfers	Replacement
2006	$90.0	0.0
2007	0.0	0.0
2008	0.0	0.0
2009	136.5	0.0
2010	188.5	172.3
2011	54.0	119.9
2012 Est.	0.0	40.4
2013 Est.	0.0	32.3
Total	**$469.0**	**$364.9**

Note: This exhibit reflects all $70.0 million of POS Acquisition Opportunity Loan of 2009 funding in fiscal 2010, since that is when the GO bonds were issued. In addition, the exhibit reflects all actions taken up to and including the 2010 session; thus, transfers and replacements authorized in the BRFA of 2010 and the fiscal 2011 capital budget, including preauthorizations of GO bonds in fiscal 2012 and 2013, are shown. Transfers proposed in this bill and additional replacement of funds planned in the *Capital Improvement Program* are not included.

Tax – Property Article § 13-209 requires the repayment of State transfer tax revenue transferred to the general fund after fiscal 2005 with any unappropriated general fund surplus over $10 million; beginning in fiscal 2012, the Governor is required to include in the annual budget bill at least the lesser of $50 million or the excess surplus over $10 million to repay those transfers. To date, the only transfer subject to those provisions is the fiscal 2006 transfer of $90 million. In developing the proposed fiscal 2012 State budget, however, the Governor exercised the general mandate relief authority provided in the BRFA of 2010 and did not include the $50 million repayment expected in fiscal 2012 in the proposed fiscal 2012 State budget. Thus, the repayment of that $90 million is not reflected in this exhibit.

Source: Department of Legislative Services

Location of Provision(s) in the Bill: Sections 11 and 12 (p. 60)

Analysis prepared by: Matthew Klein and Andrew D. Gray

Maryland Health Care Commission Fund

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Maryland Health Care Commission Fund to the general fund in fiscal 2011.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$1.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.0 million in fiscal 2011 due to the transfer. Future years are not affected. Following the transfer, the remaining fund balance for the Maryland Health Care Commission Fund will be an estimated $1.0 million.

Program Description: The Maryland Health Care Commission is an independent commission within the Department of Health and Mental Hygiene with the purpose of improving access to affordable health care; reporting information relevant to the availability, cost, and quality of health care statewide; and developing benefits for the small group health insurance market. The Maryland Health Care Commission Fund consists of user fees assessed on health care payors, hospitals, nursing homes, and practitioners.

Recent History: Budget reconciliation legislation in the past two legislative sessions has authorized the transfer of funds from the Maryland Health Care Commission Fund to the general fund. Chapter 484 of 2010 authorized the transfer of $472,026 in fiscal 2010, and Chapter 487 of 2009 authorized the transfer of $2.0 million in fiscal 2009.

Location of Provision(s) in the Bill: Section 7 (p. 58)

Analysis prepared by: Katie K. Wunderlich

State Used Tire Cleanup and Recycling Fund

Provision in the Bill: Authorizes the transfer of $500,000 from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2011.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
	(in dollars)					
GF Rev	$500,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $500,000 in fiscal 2011 due to the transfer. Future years are not affected. The State Used Tire Cleanup and Recycling Fund will be left with a projected $3.2 million fund balance at the end of fiscal 2011.

Program Description: The State Used Tire Cleanup and Recycling Fund provides funds to respond to illegal disposal or storage of scrap tires. The fund is supported with a fee of $0.80 on each new tire sold in the State, and the fund balance is capped at $10.0 million. Estimated fiscal 2011 revenue from the fee is $3.4 million.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $1.1 million from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2010. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of $3.0 million from the State Used Tire Cleanup and Recycling Fund to the general fund in fiscal 2009 and authorized, beginning in fiscal 2010, the use of up to 50% of the revenues generated for the fund for administrative expenses of the Maryland Department of the Environment.

Location of Provision(s) in the Bill: Section 7 (p. 58)

Analysis prepared by: Evan M. Isaacson

Forest or Park Reserve Fund

Provision in the Bill: Authorizes the transfer of $256,000 from the Forest or Park Reserve Fund to the general fund in fiscal 2011.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$256,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $256,000 in fiscal 2011 due to the transfer. Future years are not affected. The Forest or Park Reserve Fund will be left with a projected $4.5 million fund balance at the end of fiscal 2011.

Program Description: The Forest or Park Reserve Fund is administered by the Department of Natural Resources (DNR) and is used to purchase and manage State lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. The fund, which consists of all revenues derived from State forests, parks, and other specified lands, may only be used for purchasing and managing those lands; helping to offset the costs of developing and implementing a forest health emergency contingency program; specified payments to counties; and administrative costs. Fiscal 2011 revenue to the fund is anticipated to total approximately $14.0 million.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) prohibited DNR from making county payments from the fund related to park revenues for fiscal 2010 and 2011 only. Another provision in this bill proposes to eliminate county payments from this fund permanently (Section 3, p. 25).

Location of Provision(s) in the Bill: Section 7 (p. 58)

Analysis prepared by: Andrew D. Gray

Maryland Not-For-Profit Development Center Program Fund

Provisions in the Bill: Authorize the transfer from the Maryland Not-For-Profit Development Center Program Fund to the general fund of $250,000 in fiscal 2011 and $125,000 in fiscal 2012.

Agency: Department of Business and Economic Development

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$250,000	$125,000	$0	$0	$0	$0
SF Exp	0	(125,000)	0	0	0	0

State Effect: General fund revenues increase by $250,000 in fiscal 2011 and by $125,000 in fiscal 2012 due to the transfers. The proposed fiscal 2012 State budget includes $125,000 in special funds for the fund, but that appropriation is reduced by $125,000 contingent on the enactment of legislation authorizing the transfer of funds to the general fund. Thus, special fund expenditures decrease by $125,000 in fiscal 2012. Future years are not affected. The Maryland Not-For-Profit Development Center Program Fund will essentially be depleted by the end of fiscal 2012.

Program Description: The Maryland Not-For-Profit Development Center Program is charged with assisting the economic growth and revitalization of nonprofit entities in the State by providing grants for training and technical assistance services. Specific types of assistance include individual consultation and technical assistance to any nonprofit entity that requests the service, training, and the operation of a technical information and data exchange. Funds to support the program are derived from a surcharge on incorporation fees charged to nonprofit entities, which generates about $110,000 annually.

Recent History: Chapter 313 of 2008 created the Maryland Not-For-Profit Development Center Program and provided a revenue source for the program. The program has not yet provided any support to nonprofit entities.

Location of Provision(s) in the Bill: Sections 7 and 8 (p. 59)

Analysis prepared by: Jody J. Sprinkle

State Board of Veterinary Medical Examiners Fund

Provision in the Bill: Authorizes the transfer of $150,000 from the State Board of Veterinary Medical Examiners Fund to the general fund in fiscal 2011.

Agency: Maryland Department of Agriculture (State Board of Veterinary Medical Examiners)

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$150,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $150,000 in fiscal 2011 due to the transfer. Future years are not affected. Following the transfer, the fund balance is expected to be approximately $43,000 at the end of fiscal 2011.

The State Board of Veterinary Medical Examiners' (SBVME) operating expenses have been gradually increasing in recent years, while special fund revenues collected and deposited in the State Board of Veterinary Medical Examiners Fund have been relatively steady. Since fiscal 2009, the board's operating expenses have been greater than its revenues, causing the fund balance of the State Board of Veterinary Medical Examiners Fund to be spent down to cover expenses. An eventual increase in fees charged by the board is expected once the existing fund balance has been depleted. The bill's transfer of $150,000 to the general fund will likely result in the need for the board to increase its fees earlier than it otherwise would, possibly in fiscal 2012.

Program Description: The State Board of Veterinary Medical Examiners Fund holds revenue generated from license, registration, and other fees charged by SBVME and is used to cover the costs of the board. The fiscal 2011 State budget includes $494,805 in special fund expenditures for the board.

Location of Provision(s) in the Bill: Section 7 (p. 59)

Analysis prepared by: Scott D. Kennedy

Bay Restoration Fund

Provision in the Bill: Authorizes the transfer of $90,000,000 from the Bay Restoration Fund to the general fund in fiscal 2012. The transfer may not include any funds that are needed to pay debt service on revenue bonds issued by the Water Quality Financing Administration for the Enhanced Nutrient Removal (ENR) program.

Agency: Maryland Department of the Environment

Type of Action: Fund balance transfer

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$90.0	$0	$0	$0	$0
SF Exp	0	(40.0)	0	0	0	0

State Effect: General fund revenues increase by $90.0 million in fiscal 2012 due to the transfer. According to the Administration, the transferred funds include $50.0 million in unexpended funds and $40.0 million in fiscal 2012 revenues. Although this bill does not require the transferred funds to be replaced with general obligation (GO) bond funding, the proposed fiscal 2012 capital budget replaces $50.0 million of the unexpended funds transferred as a result of the bill and $21.8 million of the fiscal 2012 revenue redirected as a result of the bill. The 2011 *Capital Improvement Program* (CIP) reflects the replacement in fiscal 2013 of the remaining $18.2 million of the fiscal 2012 revenue redirected as a result of the bill. It is assumed that, without the transfer, special fund expenditures rather than GO bonds would have been used to support the Bay Restoration Fund. Thus, fiscal 2012 special fund expenditures decrease by $40.0 million, reflecting the fiscal 2012 revenue redirected under the bill.

Future years are not affected.

Local Effect: Unless the amounts transferred to the general fund are replaced with GO bond funding, which is not required by this bill but is contained in the proposed fiscal 2012 capital budget and five-year CIP, local grant revenues for ENR upgrades decrease.

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

Upgrading the State's major wastewater treatment plants with ENR technology is a key component of the State's Watershed Implementation Plan, which is the State's roadmap to achieving the nutrient pollution limits set by the U.S. Environmental Protection Agency in the Chesapeake Bay Total Maximum Daily Load, or "pollution diet."

Recent History: The Maryland Department of the Environment currently estimates the cost to upgrade the 67 major publicly owned wastewater treatment plants at nearly \$1.5 billion. Based on anticipated revenues to the fund, assuming the replacement of funds transferred by this bill with GO bond funding in fiscal 2012 and 2013, the fund has a projected deficit of an estimated \$537.0 million.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred \$155.0 million in unexpended funds from the Bay Restoration Fund to the general fund in fiscal 2010 and redirected \$45.0 million in revenue to the general fund in fiscal 2011. The fiscal 2011 capital budget replaced \$125.0 million of the unexpended funds transferred in fiscal 2010. The proposed fiscal 2012 capital budget includes the replacement of the remaining \$30.0 million of prior year unexpended funds transferred and the \$45.0 million of fiscal 2011 revenue redirected by Chapter 484.

Location of Provision(s) in the Bill: Section 9 (p. 59)

Analysis prepared by: Matthew Klein and Andrew D. Gray

Circuit Court Real Property Records Improvement Fund

Provision in the Bill: Authorizes the transfer of $10,000,000 from the Circuit Court Real Property Records Improvement Fund to the general fund in fiscal 2012.

Agency: Judiciary – Administrative Office of the Courts

Type of Action: Fund balance transfer

Fiscal Impact:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	($ in millions)					
GF Rev	$0	$10.0	$0	$0	$0	$0
SF Exp	0	(7.4)	0	0	0	0

State Effect: General fund revenues increase by $10.0 million in fiscal 2012 due to the transfer. Future years are not affected. The Circuit Court Real Property Records Improvement Fund had a fiscal 2010 ending balance of $47.1 million. Due to declining revenues, the fund balance is expected to drop to $23.7 million at the close of fiscal 2011. The proposed fiscal 2012 State budget includes $37.9 million in special fund expenditures from the fund, and fiscal 2012 revenues are estimated to total approximately $16.8 million. Accordingly, following the transfer, the fund will have a projected deficit of an estimated $7.4 million. Special fund expenditures decrease $7.4 million in fiscal 2012 as a result, in order to accommodate the lack of available special funds.

Program Description: Created by Chapter 327 of 1991, the Circuit Court Real Property Records Improvement Fund supports all personnel and operating costs within the land records offices of the clerks of the circuit court. It further supports the maintenance costs of the Electronic Land Records Online Imagery system and its website as well as the Judiciary's major information technology (IT) development projects. Revenues for the fund are generated primarily through a $20 recordation surcharge on all real estate transactions.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) allowed for the continued use of the fund to support major IT development projects of the Judiciary beyond fiscal 2010. Accordingly, the proposed fiscal 2012 State budget includes $11.9 million in expenditures from the fund for that purpose. The fund has been supporting major IT endeavors since fiscal 2008. As a result, expenditures have increased and the fund balance has been steadily declining.

Location of Provision(s) in the Bill: Section 8 (p. 59)

Analysis prepared by: Flora M. Arabo

Special Loan Programs Fund

Provision in the Bill: Authorizes the transfer of $2,200,000 from the Special Loan Programs Fund to the general fund in fiscal 2012.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$2.2	$0	$0	$0	$0
SF Exp	0	(2.2)	0	0	0	0

State Effect: General fund revenues increase by $2.2 million in fiscal 2012 due to the transfer. Following the transfer, the remaining balance in the Special Loan Programs Fund will be $727,171 at the close of fiscal 2012. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the proposed fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures would be used to support the capital appropriation, thereby decreasing the program's reliance on GO bonds. Thus, fiscal 2012 special fund expenditures decrease by $2.2 million. Future years are not affected.

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

Recent History: The Special Loan Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments. Declining loan repayments have reduced the program's activity levels and fund balance in recent years. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $2.2 million in fiscal 2010 and $2.5 million in fiscal 2011 from this fund to the general fund. The fiscal 2011 capital budget includes $9.5 million in GO bonds for the fund, of which $4.6 million is designated to replace the bulk of the transfers made pursuant to Chapter 484.

Location of Provision(s) in the Bill: Section 9 (p. 59)

Analysis prepared by: Flora M. Arabo

Neighborhood Business Development Fund

Provision in the Bill: Authorizes the transfer of $2,050,000 from the Neighborhood Business Development Fund to the general fund in fiscal 2012.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
	($ in millions)					
GF Rev	$0	$2.1	$0	$0	$0	$0
SF Exp	0	(2.1)	0	0	0	0

State Effect: General fund revenues increase by $2.1 million in fiscal 2012 due to the transfer. Following the transfer, the remaining balance in the Neighborhood Business Development Fund will be $97,183 at the close of fiscal 2012. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the proposed fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures would be used to support the capital appropriation, thereby reducing the program's reliance on GO bonds. Thus, fiscal 2012 special fund expenditures decrease by $2.1 million. Future years are not affected.

Program Description: The Neighborhood Business Development Program provides grants and loans to small businesses and nonprofits to fund community-based economic development activities in revitalization areas designated by local governments. The fund is a nonlapsing, revolving fund, financed primarily through loan repayments.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $3.6 million in fiscal 2010 and $3.2 million in fiscal 2011 from the fund to the general fund, but the fiscal 2011 capital budget includes $6.7 million in GO bonds for the fund to replace the bulk of the transfers. Declining loan repayments have reduced the program's activity levels and fund balance in recent years.

Location of Provision(s) in the Bill: Section 9 (p. 59)

Analysis prepared by: Flora M. Arabo

State Insurance Trust Fund

Provision in the Bill: Authorizes the transfer of $2,000,000 from the State Insurance Trust Fund to the general fund in fiscal 2012.

Agency: Office of the State Treasurer

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$2.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.0 million in fiscal 2012 due to the transfer. Future years are not affected. The transfer will reduce the estimated balance on June 30, 2012, to $26.8 million, which is $250,000 above the actuarial recommended fund balance.

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

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $5.0 million in fiscal 2002, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $10.0 million in fiscal 2009, and the Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred $5.2 million in fiscal 2010 from the State Insurance Trust Fund to the general fund.

Location of Provision(s) in the Bill: Section 8 (p. 59)

Analysis prepared by: Steven D. McCulloch

Homeownership Programs Fund

Provision in the Bill: Authorizes the transfer of $1,500,000 from the Homeownership Programs Fund to the general fund in fiscal 2012.

Agency: Department of Housing and Community Development

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$1.5	$0	$0	$0	$0
SF Exp	0	(1.5)	0	0	0	0

State Effect: General fund revenues increase by $1.5 million in fiscal 2012 due to the transfer. Following the transfer, the remaining balance in the Homeownership Programs Fund will be $432,049 at the close of fiscal 2012. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the proposed fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures would be used to support the capital appropriation, thereby reducing the program's reliance on GO bonds. Thus, fiscal 2012 special fund expenditures decrease by $1.5 million. Future years are not affected.

Program Description: The Homeownership Programs provide below-market interest rate mortgage loans to first-time homebuyers who lack the resources to purchase a home. The programs provide funds for down payment and settlement expenses and direct loans to households for the purchase of a home to encourage affordable homeownership opportunities. The Homeownership Programs Fund is a nonlapsing, revolving fund. Special fund revenues are derived primarily through loan repayments.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $3.0 million in fiscal 2011 from this fund to the general fund, but the fiscal 2011 capital budget includes $8.5 million in GO bonds for the fund, of which $3.0 million is designated to replace the transfer. Declining loan repayments have reduced the program's activity levels and fund balance in recent years.

Location of Provision(s) in the Bill: Section 9 (p. 60)

Analysis prepared by: Flora M. Arabo

Waterway Improvement Fund

Provision in the Bill: Authorizes the transfer of $1,090,000 from the Waterway Improvement Fund (WIF) to the general fund in fiscal 2012.

Agency: Department of Natural Resources

Type of Action: Fund balance transfer

Fiscal Impact:	***($ in millions)*** **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$1.1	$0	$0	$0	$0
SF Exp	0	(1.1)	0	0	0	0

State Effect: General fund revenues increase by $1.1 million in fiscal 2012 due to the transfer. Subsequent to the transfer, the fund balance will be $0. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the proposed fiscal 2012 capital budget replaces the funds being transferred. It is assumed that, without the transfer, special fund expenditures rather than GO bonds would be used to support WIF. Thus, fiscal 2012 special fund expenditures decrease by $1.1 million. Future years are not affected.

Local Effect: Local governments are eligible for grants from WIF. Unless the funds transferred to the general fund are replaced with GO bond funding, which is not required by this bill but is included in the proposed fiscal 2012 capital budget, less program funding will be available for public boating access projects such as marinas, boat ramps, and volunteer fire department water rescue equipment purchases.

Program Description: WIF finances projects to expand and improve public boating access throughout the State. Financial support for the fund is derived from the 5% excise tax on the sale of vessels within the State.

Recent History: The Budget Reconciliation and Financing Act of 2002 (Chapter 440) redirected $8.0 million in unexpended WIF revenues to the general fund and authorized up to 50% of the monies in WIF to be used, in fiscal 2003 and 2004 only, for administrative expenses directly relating to implementing the purposes of the fund. This adjustment was made with the understanding that the fund would be evaluated as part of a larger effort to improve the Department of Natural Resources' (DNR) special funds management and collection practices. That effort was postponed until the 2003 interim.

The Budget Reconciliation and Financing Act of 2003 (Chapter 203) modified the authorization to use WIF for administrative expenses in fiscal 2003 and 2004 by repealing the 50% limitation. That modification was necessary because the legislation also diverted $19.0 million in WIF monies to the general fund for cost containment purposes: $8.0 million in unexpended fiscal 2003 funds; and $11.0 million in fiscal 2004 special fund revenues.

The DNR Special Funds Workgroup concluded its study during the 2003 interim and recommended temporarily authorizing use of WIF for administrative purposes, but established a schedule for reducing the 10% administrative cost rate applied by DNR by 2% a year, until it was eliminated for fiscal years after fiscal 2009.

Chapter 6 of the 2007 special session eliminated the allocation of motor fuel tax special fund revenue to WIF and required the inclusion of at least $1.8 million in general funds each year for the fund. However, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) repealed the mandated annual general fund appropriation, removed a prohibition on the use of WIF revenue for administrative expenses, and specifically authorized the use of up to $750,000 in WIF special funds annually for program administration.

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

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized transfers from WIF to the general fund of $13.5 million in fiscal 2010 and $3.9 million in fiscal 2011. The fiscal 2011 capital budget includes $10.2 million in GO bond funding for WIF to replace $6.3 million of the Act's fiscal 2010 transfer and all of the Act's fiscal 2011 transfer.

Location of Provision(s) in the Bill: Section 9 (p. 60)

Analysis prepared by: Amanda M. Mock

Spinal Cord Injury Research Trust Fund

Provision in the Bill: Authorizes a transfer of $500,000 from the Spinal Cord Injury Research Trust Fund to the general fund in fiscal 2012.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$500,000	$0	$0	$0	$0
SF Exp	0	(500,000)	0	0	0	0

State Effect: General fund revenues increase by $500,000 in fiscal 2012 due to the fund balance transfer. Following the transfer, the fund balance for the Spinal Cord Injury Research Trust Fund will be depleted. Without funds to distribute to grantees, special fund expenditures decrease by $500,000 in fiscal 2012.

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

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred a total of $2.1 million from the trust fund to the general fund in fiscal 2010 and 2011. As a result, the board has not met regularly since fiscal 2010. Previously, the board did not meet from October 2004 to July 2006, at which time the board resumed its work of reviewing grant applications for spinal cord research.

Location of Provision in the Bill: Section 8 (p. 59)

Analysis prepared by: Jennifer A. Ellick

State Health Occupations Boards

Provisions in the Bill: Authorize transfers to the general fund of $237,888 from the State Board of Pharmacy Fund and $44,888 from the State Board of Examiners of Psychologists Fund in fiscal 2012.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$282,776	$0	$0	$0	$0

State Effect: General fund revenues increase by $282,776 in fiscal 2012 due to the two transfers. Future years are not affected. The transfers will leave $642,126 in the State Board of Pharmacy Fund and $166,983 in the State Board of Examiners of Psychologists Fund and will not affect the operations of either board.

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

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized transfers to the general fund of $1,222,476 in fiscal 2010 and $1,300,000 in fiscal 2011 from various health occupations boards. Under Chapter 484 a total of $298,544 and $73,718 was transferred from the State Board of Pharmacy Fund and the State Board of Examiners of Psychologists Fund, respectively.

Location of Provision(s) in the Bill: Section 8 (p. 59)

Analysis prepared by: Erin K. McMullen

Sales Tax Vendor Discount Cap

Provision in the Bill: Repeals the June 30, 2011 termination date of the sales tax vendor credit cap established by Chapter 3 of the 2007 special session.

Agency: Comptroller's Office

Type of Action: Revenue enhancement

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0.0	$17.8	$19.7	$20.8	$22.0	$23.3
SF Rev	0	1.0	1.1	1.4	1.5	1.6

State Effect: General fund revenues increase by $17.8 million and Transportation Trust Fund (TTF) revenues increase by $994,600 in fiscal 2012 due to the continuation of the cap. Future year estimates are based on the current sales and use tax revenue forecast and reflect the required increase in the distribution of sales and use tax revenues to TTF under current law beginning in fiscal 2014. Chapter 10 of 2008 altered the distribution of sales and use tax revenues by requiring that, for fiscal 2009 through 2013, 5.3% of revenues be distributed to TTF. Beginning in fiscal 2014, the percentage of revenues distributed to TTF increases to 6.5%.

Program Description: In order to cover the expenses of collecting the State sales tax, persons filing timely returns are allowed to take a vendor credit against the gross tax remitted. Under current law, beginning again in fiscal 2012, vendors are allowed credit against the gross tax remitted in an amount equal to 1.2% of the first $6,000 collected and 0.9% of the excess above $6,000.

Recent History: Chapter 3 of the 2007 special session capped the amount of the sales tax vendor credit at $500 per filing period (monthly basis), effective January 3, 2008, through June 30, 2011.

Location of Provision(s) in the Bill: Section 3 (p. 51)

Analysis prepared by: Michael Sanelli

Motor Vehicle Administration – Verification of Tax Payments and Unemployment Insurance Contributions for Drivers' Licenses and Vehicle Registrations

Provisions in the Bill: Require the Motor Vehicle Administration (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.

Agencies: Maryland Department of Transportation (Motor Vehicle Administration); Department of Labor, Licensing, and Regulation; Comptroller's Office

Type of Action: Revenue enhancement

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$15.0	$20.0	$7.5	$7.5	$7.5
SF Rev	0	increase	increase	increase	increase	increase
Nonbud Rev	0	0.9	1.2	0.4	0.4	0.4
GF Exp	0	0.3	0.3	0.1	0.2	0.2
SF Exp	0	0.1	0.1	0.1	0.1	0.1

State Effect: General fund revenues increase by $15.0 million in fiscal 2012 and by $20.0 million in fiscal 2013 due to increased tax compliance. The fiscal 2012 amount reflects an October 1, 2011 program implementation date that reduces the initial year revenues by 25%. Revenue increases will decrease to an estimated $7.5 million annually in the out-years, as the majority of revenue will likely be generated under one biennial vehicle registration cycle.

The Comptroller's Office estimates that general fund revenues could increase by $20.0 million in fiscal 2012; the proposed fiscal 2012 State budget assumes $20.0 million in general fund revenues from the program. The Comptroller's Office currently operates several tax compliance programs, including the business tax clearance license program (which applies to about 550,000 licensees and has recently generated a total of $6.8 million in annual revenue); the IRS vendor payment program (which generated $11.4 million from 7,185 interceptions in calendar 2010); and the IRS refund offset program (which generated $39.4 million from 49,203 interceptions out of an estimated 2.2 million Maryland federal tax returns owed a refund in calendar 2010). MVA issues/renews roughly 3 million registrations and licenses annually. Legislative Services estimates that, based on the existing tax compliance programs and the scope of the proposed measure, the program is likely to generate $20.0 million in general fund revenues on an annual basis in fiscal 2012 and 2013. However, a significant portion of this revenue represents an acceleration of revenue that would have otherwise been eventually received; the Comptroller's Office could not provide information on the extent to which this revenue would have otherwise been collected through one of the existing tax compliance programs.

Nonbudgeted revenues to the Unemployment Insurance Trust Fund (UITF) may increase by about $862,500 in fiscal 2012 and $1.2 million in fiscal 2013 due to an increase in unemployment insurance contribution compliance as a result of the program. UITF revenue increases will decrease beginning in fiscal 2014 (to an estimated $431,250 annually), as the current amount in unpaid unemployment insurance contributions are collected during the initial vehicle registration period. These estimates are based on information provided by the Department of Labor, Licensing, and Regulation (DLLR).

The program applies to all taxes that are administered by the Comptroller's Office; thus, a portion of the tax repayments are distributed to special funds. As a result, Transportation Trust Fund (TTF) and other special fund revenues may also increase beginning in fiscal 2012.

General fund expenditures increase by about $289,700 in fiscal 2012 for the Comptroller to hire 10 contractual revenue examiners, which reflects a full year of personnel costs and a three-month program implementation delay for communication costs. Beginning in fiscal 2014, the Comptroller's administrative costs decrease, as five fewer contractual employees are needed due to fewer taxpayer questions and greater compliance.

TTF expenditures increase by about $98,400 in fiscal 2012 for MVA to hire three contractual customer agents, which reflects a full year of personnel costs and a three-month program implementation delay for communication costs. Beginning in fiscal 2014, MVA administrative costs decrease slightly as one of the contractual customer agents will no longer be needed. TTF expenditure estimates do not include any costs for contractual assistance related to establishing an information technology system; expenditures may increase further to the extent programming costs cannot be handled in-house with existing MVA resources.

The general fund and TTF administrative expenditure estimates assume the program is implemented to coincide to the greatest extent possible with the existing registration and license renewal process; to the extent that drivers and vehicle owners are notified in another manner, expenditures may increase further.

Legislative Services advises that actual revenues and expenditures resulting from this provision may vary widely from the estimates provided above. The Comptroller's general fund revenue projection is based on experience with similar programs and makes a number of assumptions, including the number of drivers and vehicle owners that will pay unpaid taxes, the average amount collected, the number of delinquent taxpayer accounts, and the amount already collected through other compliance programs. To the extent that any or all of these assumptions vary significantly from actual results, the estimates may significantly under or overstate revenues; this may also result in significantly greater or lesser expenditures for MVA and the Comptroller's Office.

Local Effect: Local government revenues increase as a result of the payment of unpaid local income taxes. Local government revenues increase by about $9.5 million in fiscal 2012, $12.6 million in fiscal 2013, and $4.7 million annually thereafter.

Program Description: Under current law, before any license or permit issued pursuant to the Transportation Article may be renewed, the issuing authority must verify through the Comptroller that the applicant has paid all undisputed taxes and unemployment insurance contributions payable to the Comptroller or DLLR. However, motor vehicle registrations and drivers' licenses are currently exempt from this requirement. In addition, the Comptroller must verify the payment of all undisputed taxes and unemployment insurance contributions by an applicant for various health, occupational, and professional licenses.

Recent History: The Budget Reconciliation and Financing Act of 2003 (Chapter 203) established a tax clearance program under the Comptroller's Office for various occupational licenses and permits. The Budget Reconciliation and Financing Act of 2005 (Chapter 444) extended these tax clearance requirements to insurance business licenses. Chapter 3 of the 2007 special session extended similar requirements to lawyers; however, Chapter 410 of 2008 repealed the tax clearance process established by Chapter 3, instead requiring only a notification process.

Location of Provision(s) in the Bill: Section 3 (pp. 53 and 54-56)

Analysis prepared by: Evan M. Isaacson and Robert J. Rehrmann

Dangerous Driver Fees

Provisions in the Bill: Require the Motor Vehicle Administration (MVA) to assess fees against drivers of specified motor vehicles 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. Drivers who are assessed the fee for points must pay $100 annually for every point above five points for three years from the date the point was assessed. Drivers who are convicted of an alcohol- or drug-related driving violation must pay $500 annually for three years from the date of the conviction. MVA must send a specified notice to each individual assessed a fee, and MVA must suspend the driver's license of any driver who does not pay the fee within a time period established by MVA. MVA is required to recover administration costs from accrued revenues. Remaining revenues must be allocated to the general fund for fiscal 2012 and 2013 and for subsequent fiscal years, all excess revenues must be allocated to the Maryland Emergency Medical System Operations Fund (MEMSOF).

Agencies: Maryland Department of Transportation; Judiciary; Office of Administrative Hearings

Type of Action: New fee

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$3.8	$7.7	increase	increase	increase
SF Rev	0	2.0	2.0	$11.7	$12.4	$12.4
GF Exp	0	increase	increase	increase	increase	increase
SF Exp	0	2.0	2.0	2.0	2.0	2.0

State Effect: Fee revenue is estimated to total $5.8 million in fiscal 2012, $9.7 million in fiscal 2013, $11.7 million in fiscal 2014, and $12.4 million in fiscal 2015 and 2016. These estimates assume no change in the number of drivers in future years or the points or violations assessed. Also assumed is that half of those assessed will prepay the entire fee and that the collection rate will be about 60%.

To the extent that the financial penalties under this provision result in fewer violations, revenues will be less.

Transportation Trust Fund (TTF) expenditures for MVA program administration are anticipated to total $2.0 million annually beginning in fiscal 2012, so TTF retains that much in fee revenue to offset its costs, as required by the bill. Beginning in fiscal 2012, TTF revenues could increase further due to fees for corrected licenses after expiration of suspension periods, but any such increase is anticipated to be minimal.

In fiscal 2012 and 2013, the general fund receives the remainder of the fee revenue; thus, general fund revenues increase by an estimated $3.8 million in fiscal 2012 and $7.7 million in fiscal 2013. Beginning in fiscal 2012, the bill may also result in a significant increase in general fund revenues for the Office of Administrative Hearings due to filing fees for additional administrative hearings anticipated as a result of the bill.

Beginning in fiscal 2014, excess fee revenue after MVA cost recovery is allocated to MEMSOF. Accordingly, special fund revenues to MEMSOF increase by approximately $9.7 million in fiscal 2014 and $10.4 million in fiscal 2015 and 2016. The fiscal 2011 ending balance for MEMSOF is projected to be $7.1 million.

In addition to MVA's administrative costs, TTF expenditures may increase significantly beginning in fiscal 2012 due to additional administrative hearings. Likewise, the bill may result in a significant increase in general fund expenditures beginning in fiscal 2012 for additional hearings and trials in the District Court.

Local Effect: Additional special fund revenues for MEMSOF may result in increased grants to local jurisdictions to purchase fire and rescue equipment and update fire and rescue facilities.

Program Description: This proposed program is intended to create a strong financial penalty for engaging in dangerous driving behavior. The fees apply to drivers of passenger, for hire, funeral, motorcycle, single unit truck, and multipurpose motor vehicles. According to MVA, 319,715 drivers received more than five points on their driving records in 2010. Historical data show that about 5,500 drivers annually are convicted of an alcohol- or drug-related driving violation. Under the bill, in calculating the total number of points for drivers subject to this sanction, MVA may not include more than five points on the driver's record assessed before June 1, 2011. Drivers are allowed to prepay the entire fee, pay on an annual basis, or pay pursuant to a payment schedule that MVA may establish. Drivers who are subject to license suspension due to nonpayment of the fees may request a hearing, but the issues are limited to mistaken identity or a mistaken calculation of point totals.

Location of Provisions in the Bill: Sections 3 and 28 (pp. 54, 56-58, and 64)

Analysis prepared by: Karen D. Morgan

Probation Supervision Fee

Provision in the Bill: Increases the current monthly supervision fee imposed on probationers from $25 to $50.

Agency: Department of Public Safety and Correctional Services

Type of Action: Revenue enhancement

Fiscal Impact:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	($ in millions)					
GF Rev	$0	$3.1	$3.9	$3.9	$3.9	$3.9

State Effect: General fund revenues increase by an estimated $3.1 million in fiscal 2012 due to the increase in the supervision fee. The $50 fee will be applied to probation cases received in June 2011 and thereafter. Offenders already paying supervision fees will continue paying $25 per month. The Division of Probation and Parole (DPP) anticipates 37,100 new probation cases and 14,500 new Drinking Driver Monitor Program (DDMP) cases in fiscal 2012 that could be subject to the new supervision fee. The $3.1 million revenue estimate assumes a 20% collection rate within this population, although the true collection rate is unknown. Actual revenues could be higher or lower, depending on the number of approved waiver requests and the actual collection rate.

Fiscal 2013 revenue estimates assume that most probationers paying the $25 supervision fee will have completed their supervision periods and will be replaced with probationers paying the new $50 fee. Future years reflect a stable population of probationers and an ongoing 20% collection rate.

Program Description: DPP supervises offenders placed on probation or in DDMP by the courts. Offenders pay a monthly supervision fee, which is deposited into the general fund. Offenders can receive a supervision fee waiver if payment of the fee poses an undue financial burden or they are facing financial hardship.

Recent History: Legislation was first enacted during the 1991 legislative session mandating the imposition of monthly supervision fees for offenders supervised by DPP. At that time, the mandated monthly supervision fee was set at $25 for probationers. The Budget Reconciliation and Financing Act of 2005 (Chapter 444) increased the supervision fee charged to probationers from $25 to $40 per month. The fee increase terminated at the end of fiscal 2010, at which time the monthly supervision fee for probationers reverted to the current $25 per month.

Location of Provision(s) in the Bill: Section 1 (p. 10)

Analysis prepared by: Rebecca J. Ruff

Injured Workers' Insurance Fund Premium Tax

Provision in the Bill: Subjects the Injured Workers' Insurance Fund (IWIF) to the 2% insurance premium tax.

Agency: Injured Workers' Insurance Fund

Type of Action: Revenue enhancement

Fiscal Impact:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	($ in millions)					
GF Rev	$0	$1.9	$3.4	$3.5	$3.7	$3.9

State Effect: General fund revenues increase by $1.9 million in fiscal 2012 due to the requirement that IWIF pay the 2% tax on insurance premiums that is required of most insurers in the State. IWIF forecasts that its taxable premium will be $160 million in calendar 2011. However, only about $93 million of IWIF's 2011 premium – the amount received between June 1, 2011, and December 31, 2011 – will be subject to the premium tax in fiscal 2012. The estimate assumes that the calendar 2011 tax liability will be paid in March 2012. Future years reflect annualization, an estimated 5% annual increase in IWIF's taxable premium, and an assumption that the tax due from each calendar year will be paid at the beginning of the following calendar year.

Local Effect: Although the premium tax is paid by the insurer, IWIF advises that the tax will be passed on to policyholders. IWIF insures 265 governmental entities in the State. Thus, Maryland counties, municipalities, cities, and towns that are insured by IWIF will likely experience an increase of roughly 2% in their workers' compensation insurance costs.

Program Description: IWIF is a quasi-governmental agency that acts as the third-party administrator of workers' compensation for the State and offers workers' compensation insurance to private-sector firms and units of government in the State. IWIF is required by statute to offer workers' compensation insurance to firms unable to procure insurance in the private market. In 2010, IWIF was the largest workers' compensation insurer in the State with a 21% market share.

Location of Provision in the Bill: Section 3 (pp. 23-25)

Analysis prepared by: Michael T. Vorgetts

Developmental Disabilities Administration Payment Schedule

Provision in the Bill: Changes 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.

Agency: Department of Health and Mental Hygiene

Type of Action: Revenue enhancement

Fiscal Impact: *(in dollars)*	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$525,000	$550,200	$576,610	$604,287	$633,293
GF Exp	0	181,438	172,867	182,022	191,706	201,955

State Effect: General fund revenues increase by an estimated $525,000 in fiscal 2012 due to an increase in interest income resulting from the move to a retrospective payment system. In future years, the interest income is estimated to grow by 4.8%, which is the average rate of growth for community services in the Developmental Disabilities Administration (DDA).

General fund expenditures increase by an estimated $181,438 in fiscal 2012, which reflects the cost of hiring three full-time equivalent budget specialists to process the additional payments required by this bill. The estimate includes salaries, fringe benefits, and one-time start-up costs. Future year expenditures reflect full salaries with 4.4% annual increases and 3% employee turnover.

Program Description: DDA provides direct service to individuals with intellectual and developmental disabilities through funding of a coordinated service delivery system that supports the integration of these individuals into the community. DDA invoices community providers quarterly on a prospective basis. Currently, DDA employs two budget specialists to process approximately 1,900 quarterly invoices and 900 nonquarterly invoices each year.

Location of Provision(s) in the Bill: Section 3 (p. 16)

Analysis prepared by: Katie K. Wunderlich

Abandoned Property Notification Procedures

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

Agency: Comptroller's Office

Type of Action: Revenue enhancement; efficiency

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$500,000	$500,000	$500,000	$500,000	$500,000
SF Exp	0	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)

State Effect: Beginning in fiscal 2012, special fund expenditures decrease by $500,000 annually due to the modification of the newspaper advertising requirement. The proposed fiscal 2012 State budget includes a $500,000 special fund expenditure decrease contingent on the enactment of legislation to repeal the current notification procedures for abandoned property. It is anticipated that general fund revenues will increase by a corresponding dollar amount when, as required by statute, the special fund balance is transferred to the general fund at year-end.

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

Recent History: This provision was included in the proposed Budget Reconciliation and Financing Act of 2010 but was removed from the bill in conference committee.

Location of Provision(s) in the Bill: Section 1 (pp. 7-9)

Analysis prepared by: Chantelle M. Green

Maryland-mined Coal Tax Credits

Provision in the Bill: Accelerates the termination dates for the Maryland-mined coal tax credits from tax year 2021 to June 1, 2011.

Agency: State Department of Assessments and Taxation

Type of Action: Revenue enhancement

Fiscal Impact:	($ in millions)					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	$0	$4.5	$6.0	$6.0	$3.0

State Effect: General fund revenues increase by $4.5 million in fiscal 2013. Future year revenue increases reflect the estimated amount of credits that can be claimed under current law. Revenues are not affected in fiscal 2012, as it is assumed that the maximum amount of credits that can be awarded in tax year 2011 will be claimed by June 1, 2011, the effective date of the bill. Accelerating the termination date increases State revenues by a total of $34.5 million through fiscal 2021.

Program Description: Maryland public service companies and specified co-generators and electricity suppliers can claim a $3 per ton credit for the amount of Maryland-mined coal purchased in a calendar year. Companies are not required to consume the coal in order to claim the credit. The credit can be claimed against the public service franchise tax and the State income tax.

Recent History: Chapters 247 and 248 of 2006 phased out the credits by capping the maximum amount of credits that can be claimed through tax year 2020. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced these amounts in tax years 2009 to 2012, and as a result, the maximum that can be claimed in each year is $4.5 million annually in tax years 2009 to 2012, $6.0 million annually in tax years 2013 to 2014, and $3.0 million annually in tax years 2015 to 2020. The credit is scheduled to terminate after tax year 2020.

Location of Provision(s) in the Bill: Section 6 (p. 58)

Analysis prepared by: Robert J. Rehrmann

Senior Prescription Drug Assistance Program and the Kidney Disease Program

Provisions in the Bill: Authorize the transfer of $2,500,000 in fiscal 2011 from the Senior Prescription Drug Assistance Program (SPDAP) to the Medical Assistance Program (Medicaid), and authorize transfers of $3,000,000 in each of fiscal 2012 and 2013 from SPDAP to the Kidney Disease Program.

Separate provisions require that a portion of the premium tax exemption subsidy provided by CareFirst be used to subsidize the Kidney Disease Program rather than the Maryland Pharmacy Discount Program and require the subsidy amount provided to the Community Health Resources Commission (CHRC) to be no less than $3,000,000 in fiscal 2012 and 2013. The subsidy provided to the Kidney Disease Program and CHRC must equal the value of the premium tax exemption minus the subsidy provided to SPDAP.

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

Type of Action: Fund swaps; special fund mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	($2.5)	($11.6)	($11.6)	($11.6)	($11.6)	($11.6)
SF Exp	2.5	3.0	3.0	0.0	0.0	0.0

State Effect: General funds required to support a fiscal 2011 Medicaid deficiency decrease by $2.5 million and are replaced by $2.5 million in special funds from SPDAP. The deficiency expenditure is contingent on the authorizing legislation. Based on current projections of spending in SPDAP, the fiscal 2011 $2.5 million fund transfer leaves SPDAP with an estimated closing fund balance of $7.1 million.

In fiscal 2012 and 2013, the Kidney Disease Program will be supported with annual $3.0 million transfers from SPDAP and $8.6 million in special funds from the subsidies provided by CareFirst that will be redirected from CHRC to the program. The proposed fiscal 2012 State budget includes an $11.6 million general fund reduction to the Kidney Disease Program that is contingent on legislation allowing the CareFirst revenue to be used for the program.

Even after the proposed transfers of $3.0 million from SPDAP to the Kidney Disease Program in both fiscal 2012 and 2013, based on current estimates of SPDAP spending, a fund balance of $2.3 million remains at the end of fiscal 2013 (when SPDAP is currently scheduled to terminate).

In fiscal 2014 and future years, an estimated $11.6 million in redirected special funds will replace general fund expenditures for the Kidney Disease Program.

Program Description: CareFirst, as a condition of its exemption from the insurance premium tax, is required to subsidize SPDAP, the Maryland Pharmacy Discount Program (no longer in existence), and CHRC. In fiscal 2011, the CareFirst premium exemption subsidy is supporting SPDAP ($14.0 million), CHRC ($3.0 million), and the Kidney Disease Program ($11.0 million after taking into account a $1.0 million fiscal 2011 negative deficiency). Funding for the Kidney Disease Program is for fiscal 2011 only and is the result of alterations made to the subsidy under the Budget Reconciliation and Financing Act of 2010 (Chapter 484). The subsidy provided by CareFirst is expected to total $25.6 million in fiscal 2012. Assuming that SPDAP receives $14.0 million and CHRC receives $3.0 million, that leaves $8.6 million for the Kidney Disease Program.

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

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

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

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

Recent History: As introduced, the Budget Reconciliation and Financing Act of 2010 proposed similar ongoing funding of the Kidney Disease Program with a portion of the CareFirst subsidies, as well as additional SPDAP fund balance transfers to Medicaid and the Kidney Disease Program. Ultimately, the legislation provided for one-time support in fiscal 2011 without any permanent reallocation of the CareFirst subsidies: the fiscal 2010 transfer of funds from SPDAP to Medicaid ($5.0 million) and the Kidney Disease Program ($10.5 million), and the fiscal 2011 transfer of funds from SPDAP to the Kidney Disease Program ($1.5 million).

Location of Provision(s) in the Bill: Sections 1, 14, and 15 (pp. 23-24 and 60-61)

Analysis prepared by: Simon G. Powell

Medicaid Hospital Assessments

Provisions in the Bill: Impose a new assessment on hospital rates equal to 2.5% of net patient revenue to support general Medicaid operations. Assessment costs must be shared equitably among hospitals and purchasers of hospital services. In addition, the cap on the existing assessment used to capture uncompensated care savings from the 2007 expansion of Medicaid is raised to the greater of total savings realized in averted hospital uncompensated care or 1.5% of hospital net patient revenue. The provisions limit total hospital assessments to 6% of any hospital's total regulated and unregulated net patient revenue. The assessments must be paid by specialty hospitals licensed by the Department of Health and Mental Hygiene (DHMH), with the exception of those not subject to rate regulation, and publicly operated hospitals. Finally, the provisions expand the Health Services Cost Review Commission (HSCRC) reporting requirements to include information on the reduction in uncompensated care resulting from federal health care reform legislation.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap; assessment increase

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$254.1	$264.7	$275.5	$286.5	$297.7
GF Exp	0	(254.1)	(264.7)	(275.5)	(286.5)	(297.7)
SF Exp	0	254.1	264.7	275.5	286.5	297.7

State Effect: Special fund revenues and expenditures for DHMH increase by an estimated $254.1 million in fiscal 2012 due to increased assessments on hospital rates, specifically $201.4 million from the new assessment to support Medicaid operations and $52.7 million from the increase in the assessment related to uncompensated care savings. These special funds substitute for general fund Medicaid expenditures. The proposed fiscal 2012 State budget includes a $225.0 million special fund appropriation for the Medicaid program contingent upon passage of these provisions. Without these special fund revenues, there will be a $225.0 million shortfall in the Medicaid budget in fiscal 2012. Future year estimates assume 2% annual increases in net patient revenue.

The Medicaid assessment is expected to generate $331.3 million in special fund revenues in fiscal 2012 (2.5% of net patient revenues). However, a net revenue increase of only $201.4 million is assumed, which represents the amount of additional special fund revenues above the $129.9 million assessed administratively on hospital rates in fiscal 2011.

Increasing the cap on the uncompensated care assessment will generate an estimated $52.7 million in additional special fund revenues in fiscal 2012. This estimate represents the difference between the actual amount of uncompensated care savings achieved in fiscal 2011 ($146.1 million) and 1.5% of net patient revenue (estimated to be $198.8 million in fiscal 2012). Actual special fund revenues may differ depending on the amount of uncompensated care savings achieved.

Under these provisions, the total assessment is projected to reach 4.0% in fiscal 2012.

Program Description: Under current law, HSCRC must impose an assessment on hospital rates to (1) reflect the aggregate reduction in hospital uncompensated care realized from the expansion of Medicaid eligibility under Chapter 7 of the 2007 special session; and (2) fund the Maryland Health Insurance Plan (MHIP). The uncompensated care assessment may not exceed the savings realized in uncompensated care. Special funds generated from the uncompensated care savings are used to fund Medicaid services to certain parents and emergency room services for childless adults. The current MHIP assessment is set at 1.0% of net patient revenue ($116.4 million in fiscal 2011).

In total, hospital assessments cannot exceed 3% of total net *regulated* patient revenue under current law. Assessments currently total 2.2% in fiscal 2011. Assessments do not apply to specialty or publicly operated hospitals.

Net patient revenue is all patient revenue for which a hospital bills excluding contractual allowances, charity care, bad debt, and payer denials. Regulated patient revenue is all Medicare Part A hospital costs including any inpatient or outpatient services located at the hospital. Unregulated patient revenue reflects Medicare Part B costs such as physicians, clinics, and off-site outpatient services. There are 10 specialty hospitals (generally rehabilitation and private psychiatric hospitals) and 2 public chronic care hospitals in the State.

Recent History: The fiscal 2009 and 2010 budgets used special funds from hospital assessments to replace general funds for Medicaid in the amount of $19.0 million and $45.8 million, respectively. In fiscal 2011, the Medicaid budget was reduced by $129.9 million to be backfilled with special funds from a hospital assessment. HSCRC voted to assign 30% as hospital remittance and 70% as additional hospital rates passed on to the payor/patient.

Location of Provision(s) in the Bill: Section 3 (pp. 20-22)

Analysis prepared by: Jennifer B. Chasse

Education Jobs Fund Savings

Provision in the Bill: Authorizes the use of $124,420,746 in fiscal 2011 general fund savings generated by the availability of money from the federal Education Jobs Fund to prefund the State's fiscal 2012 general fund obligation for the State share of the foundation program. The funds will be distributed to local school systems June 1, 2011.

Agency: Maryland State Department of Education

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($124.4)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $124.4 million in fiscal 2012 due to the use of funds that were appropriated for fiscal 2011 to support a share of fiscal 2012 education aid costs. The proposed fiscal 2012 State budget includes a reduction to the State share of the foundation program, the State's largest education aid program, contingent on legislation authorizing the prefunding of fiscal 2012 aid.

Local Effect: Local school systems will receive some of their fiscal 2012 aid in June 2011 rather than waiting to receive it until fiscal 2012.

Program Description: Legislation establishing a $10 billion Education Jobs Fund was enacted by the federal government in August 2010 with the goal of saving or creating education jobs during the 2010-2011 school year. Maryland's share of the federal grant totaled $178.9 million. The Maryland State Department of Education retained $350,000 to administer the grant program, and the remaining $178.6 million was distributed to local school systems in fiscal 2011 in accordance with State formula funding.

Of the amount devoted to school systems, $35.7 million (20% of the total grant) represented one-time enhancement funding for fiscal 2011 and $142.9 million replaced State general funds that were supporting education. In a letter to local superintendents of schools explaining the federal grant, the Governor committed to using the savings for education. A share of these funds, $18.4 million, will be used to offset the under-attainment of fiscal 2011 video lottery revenues, leaving $124.4 million to prefund the 2012 education budget.

Location of Provision(s) in the Bill: Section 18 (p. 62)

Analysis prepared by: Monica L. Kearns

State Department of Assessments and Taxation – Local Reimbursement for Property Valuation Expenditures

Provisions in the Bill: Require the counties and Baltimore City to reimburse the State Department of Assessments and Taxation (SDAT) for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of costs incurred by SDAT with regards to information technology. The bill specifies how those costs must be allocated among the counties and Baltimore City and how payments must be remitted. The Comptroller may withhold a portion of a local income tax distribution if timely payment is not made.

Agencies: State Department of Assessments and Taxation; Department of Information Technology

Type of Action: Fund swap; cost shift

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$34.8	$34.1	$34.4	$34.7	$35.0
GF Exp	0	(34.8)	(34.1)	(34.4)	(34.7)	(35.0)
SF Exp	0	34.8	34.1	34.4	34.7	35.0

State Effect: General fund expenditures decrease by $34.8 million in fiscal 2012 due to the shift in costs from the State to the local jurisdictions. General funds to support SDAT and related information technology projects are included in the proposed fiscal 2012 State budget, but reductions totaling $34.8 million are contingent on the enactment of legislation requiring the counties to pay these costs. The proposed fiscal 2012 State budget also includes language to authorize budget amendments to expend the special funds collected from counties in lieu of the general funds appropriated in the budget. The fiscal 2012 cost shift includes:

- a $31.5 million fund swap, which allows the department to use special funds in lieu of general funds for expenditures associated with the Real Property and Business Valuation programs; and

- a $3.3 million fund swap, which allows the department to use special funds in lieu of general funds for expenditures associated with the Information Technology program and the implementation of the Assessment Administration and Valuation System (AAVS). The proposed fiscal 2012 State budget includes approximately $2.3 million in general funds in SDAT's budget and approximately $0.9 million in general funds for one-time AAVS expenditures in the Department of Information Technology's budget that would be replaced with special funds as a result of this action.

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

Local Effect: Local government expenditures increase by approximately $34.8 million in fiscal 2012 and by $35.0 million in fiscal 2016. Local expenditures are calculated on the basis of each county's share of real property accounts and business personal property as a percentage of the total. The fiscal 2012 reimbursement is shown by local jurisdiction in **Appendix C4**.

Program Description: SDAT supervises the assessment of all property in the State. The counties and municipalities are the primary beneficiaries of property taxes in Maryland. In fiscal 2011, the State property tax rate is $0.112 per $100 of assessed value, while county property tax rates are generally about $1.00 per $100 of assessed value.

Recent History: As introduced, the Budget Reconciliation and Financing Act of 2009 contained a provision requiring county governments to reimburse SDAT for (1) 90% of the cost of real property valuation; (2) 90% of the cost of business property valuation; and (3) 75% of costs incurred by SDAT with regards to information technology. However, this provision was eliminated from the bill prior to final passage.

Location of Provision(s) in the Bill: Section 3 (pp. 52-53)

Analysis prepared by: Michael Sanelli

Hospital Graduate Medical Education

Provision in the Bill: Authorizes the Health Services Cost Review Commission (HSCRC) to establish alternative methods for financing hospital graduate medical education (GME).

Agency: Department of Health and Mental Hygiene

Type of Action: Cost shift

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
			($ in millions)			
GF Exp	$0	($17.5)	($17.9)	($18.2)	($18.6)	($18.9)
FF Exp	0	(17.5)	(17.9)	(18.2)	(18.6)	(18.9)

State Effect: Expenditures for the Maryland Medical Assistance Program (Medicaid) decrease by a total of $35.0 million (50% general funds, 50% federal funds) due to a reduction in the rates paid by Maryland's teaching hospitals, which serve a disproportionate share of Medicaid patients in the State. In order to support GME costs, rates at teaching hospitals are currently higher than for other hospitals. The bill will allow the costs to be spread more evenly across all hospitals in the State, thereby reducing Medicaid costs. The proposed fiscal 2012 State budget includes a total of $35.0 million in reductions to general and federal fund Medicaid expenditures contingent on the enactment of legislation authorizing HSCRC to alter the financing methodology for GME.

Future year savings assume a 2% increase in the update factor for hospital rates. To the extent that the update factor is higher, greater savings may be realized. If the update factor is lower, lesser savings will be achieved.

Program Description: GME is built into the hospital rates set by HSCRC and includes both direct and indirect medical education components. Currently, only teaching hospitals have a component in their rates to support GME, meaning that rates are higher at these hospitals.

Recent History: In an effort to reduce Medicaid expenditures and more equitably share the burden of uncompensated care, HSCRC adopted an alternative method for assessing and distributing uncompensated care funding through hospital rates in fiscal 2009. The formula was changed from a partial pooling system in which all hospitals paid the same amount and the total burden of uncompensated care was only partially subsidized, to a full pooling system where hospitals collect and distribute a greater share of uncompensated care funds. According to HSCRC, a similar full pooling system will be implemented for GME expenses under this provision. Full pooling will reduce rates at teaching hospitals. As these hospitals are disproportionately utilized by Medicaid recipients, Medicaid hospital expenditures will be reduced.

Location of Provision(s) in the Bill: Section 3 (pp. 19-20)

Analysis prepared by: Jennifer B. Chasse

Nursing Home Quality Assessment

Provision in the Bill: Increases the nursing home quality assessment from 4% to 5.5%.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap; assessment increase

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$35.5	$36.9	$38.4	$39.9	$41.5
FF Rev	0	22.5	23.4	24.3	25.3	26.3
GF Exp	0	(13.0)	(13.5)	(14.1)	(14.6)	(15.2)
SF Exp	0	35.5	36.9	38.4	39.9	41.5
FF Exp	0	22.5	23.4	24.3	25.3	26.3

State Effect: Special fund revenues increase by $35.5 million in fiscal 2012 due to the increase in the nursing home assessments. General fund expenditures decline by $13.0 million due to the use of $13.0 million in special fund revenue generated by the increased assessment to backfill for a proposed fiscal 2012 general fund reduction in Medicaid that is contingent on the enactment of legislation increasing the nursing home quality assessment.

The remaining additional ($22.5 million in fiscal 2012) assessment revenue will also be used to hold harmless nursing facility providers serving Medicaid patients from the impact of the higher assessment ($11.9 million in fiscal 2012 special fund expenditures matched by $11.9 million in federal Medicaid funds), as well as to support the State share of an anticipated 1.67% increase in reimbursement rates ($10.6 million in fiscal 2011 matched with $10.6 million in federal funds). This reimbursement increase will be split between a general rate increase (1.46%) and an increase through pay-for-performance, so that actual rate increase will vary by facility.

Future years assume 4% annual increases in revenues and expenditures.

Program Description: Chapter 503 of 2007 imposed a 2% nursing home quality assessment. That assessment was increased to 4% by the Budget Reconciliation and Financing Act of 2010 (Chapter 484).

Recent History: The action proposed in this bill is similar to the one enacted in Chapter 484. Although the fiscal 2012 budget does not actually contain funding for a rate increase under the mechanism described above (and neither did the fiscal 2011 budget adopted by the General Assembly), it is the intent of the Department of Health and

Mental Hygiene to adopt the same course of action as implemented in the current fiscal year. Specifically, regulations were promulgated to increase nursing home rates, and a budget amendment subsequently recognized the additional revenues.

Under current federal law, the proposed 5.5% assessment rate is the maximum rate that can be assessed on a provider while avoiding the application of provisions that prohibit the guarantee of holding a payer of these assessments harmless for all or a portion of the assessment. That maximum "safe harbor" rate is currently scheduled to increase to 6%, effective September 30, 2011.

Location of Provision(s) in the Bill: Section 1 (p. 22)

Analysis prepared by: Simon G. Powell

Aging Schools Program

Provision in the Bill: Authorizes the use of general obligation (GO) bond funds for the Aging Schools Program.

Agency: Interagency Committee for Public School Construction

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($6.1)	($6.1)	($6.1)	($6.1)	($6.1)
Bond Exp	0	6.1	6.1	6.1	6.1	6.1

State Effect: General fund expenditures for the Aging Schools Program decrease by $6.1 million in fiscal 2012 contingent on legislation reducing the required appropriation. The fiscal 2012 capital budget includes $6.1 million in GO bonds that will be used instead to fund the program. Future years assume that GO bonds rather than general funds will continue to support the program after fiscal 2012 due to the authorization provided in the bill.

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

Program Description: The Aging Schools Program provides funds to local school systems for improvements, repairs, and deferred maintenance in public school buildings. Eligible expenditures include asbestos and lead paint abatement; upgrade of fire protection systems and equipment; painting, plumbing, and roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring for technology; and renovation projects related to education programs and services.

Recent History: Chapter 252 of 2006 added an inflation factor to the calculation of annual funding under the Aging Schools Program. Funding for each local school system was based at the fiscal 2007 amount ($10.4 million collectively for the systems) and was set to increase each year with changes in the Consumer Price Index from the second prior fiscal year. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) deleted fiscal 2010 general fund support for the program, but $6.1 million in GO bond funds was provided through the capital budget. Chapter 487 also set funding for the program at $6.1 million for fiscal 2011 and $10.4 million for fiscal 2012, and restarted annual inflationary increases in fiscal 2013. However, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) set program funding at $6.1 million annually and deleted the inflation factor. GO bonds were again authorized in fiscal 2011 to fund the program at $6.1 million.

Location of Provision(s) in the Bill: Section 1 (p. 12)

Analysis prepared by: Monica L. Kearns

County Reimbursement for Nonpublic Placements of Children in State Care

Provisions in the Bill: Require a county to reimburse the Department of Juvenile Services (DJS) or the Department of Human Resources (DHR) for each child from the county who is placed in State-supervised care in a nonpublic residential placement that also provides the education program for the child. The reimbursement amount is equivalent to the average amount of State and local funds spent for the public education of a nondisabled child in the county. The new requirements specifically exclude children in State-supervised care who are placed in nonpublic special education placements.

Agencies: Department of Juvenile Services; Department of Human Resources; Maryland State Department of Education

Type of Action: Fund swap; cost shift

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$5.2	$5.3	$5.3	$5.4	$5.5
GF Exp	0	(3.5)	(5.3)	(5.3)	(5.4)	(5.5)
SF Exp	0	5.2	5.3	5.3	5.4	5.5

State Effect: Special fund revenues and expenditures increase by an estimated $5.2 million in fiscal 2012 due to reimbursements from counties for the education of certain children placed in State-supervised care. These estimates are based on the statewide average basic cost of $10,038 and an estimated 518 children who would qualify for county reimbursement.

General fund expenditures decrease by $3.5 million in fiscal 2012 due to the use of county reimbursements, rather than general funds, to support educational costs for children in State-supervised care. The fiscal 2012 State budget includes contingent general fund expenditure reductions totaling $3.5 million, including $2.2 million for DJS, $1.0 million for DHR, and $334,000 for the Maryland State Department of Education (MSDE).

Future years reflect expected increases in the "basic cost" and a relatively stable number of children for whom counties will provide reimbursements. It is assumed that general fund savings will match special fund revenues and expenditures in fiscal 2013 and thereafter. Out-year savings by DJS will shift to MSDE as MSDE takes over all education programs at DJS facilities, currently scheduled to be fully implemented by 2014.

Local Effect: Some costs shift to counties for nonpublic education placement of children in State care who are not designated as special education students. For fiscal 2012, the additional costs are estimated at $5.3 million.

Program Description: DJS will educate an estimated 318 nondisabled youth in its detention and committed facilities in fiscal 2012. Through its foster care programs, DHR will provide nonpublic education placement for an estimated 152 youth who are not designated as special education. MSDE will educate an estimated 48 committed youth who are not designated as special education through its operation of the educational program at the Victor Cullen juvenile services facility.

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

Analysis prepared by: Monica L. Kearns

Forest and Park Payments to Counties in Lieu of Taxes

Provisions in the Bill: Repeal the requirement that the Department of Natural Resources (DNR) provide payments to counties from the Forest or Park Reserve Fund, the Forest and Park Concession Account, and the Deep Creek Lake Recreation Maintenance and Management Fund.

Agency: Department of Natural Resources

Type of Action: Fund swap; special fund mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($2.4)	($2.4)	($2.4)	($2.4)	($2.4)
SF Exp	(0.1)	0	0	0	0	0

State Effect: General fund expenditures decrease by $2.4 million annually beginning in fiscal 2012, as special funds that would have been used for payments to counties are redirected to activities that otherwise would have been paid with general funds. The proposed fiscal 2012 State budget reduces the Forest Service's general fund appropriation by $2,374,852, contingent upon the enactment of legislation to eliminate the payment in lieu of taxes to localities. The proposed fiscal 2012 State budget includes language authorizing the processing of a special fund budget amendment to replace the general fund expenditures with the special funds. Future year estimates assume revenues to the affected funds remain constant over time.

In fiscal 2011, special fund expenditures decrease by $89,227 due to the bill's June 1, 2011 effective date. This estimate, which is based on information provided by DNR, assumes that 21% of the payments to counties from forest-related activities and 5% of the payments to Garrett County from Deep Creek Lake-related activities are a result of revenues generated during the month of June. Thus, it is assumed that the June 2011 portion of the county payments would not be made and that DNR would instead retain those funds.

Exhibit 7 shows the actual and projected payments to counties in fiscal 2009 through 2016 as provided under current law.

Exhibit 7
Payments to Counties from the Forest or Park Reserve Fund, Forest and Park Concession Account, and the Deep Creek Lake Recreation Maintenance and Management Fund under Current Law
Fiscal 2009 to 2016

Fiscal Year	Forest or Park Reserve Fund	Forest and Park Concession Account	Deep Creek Lake Fund	Total
2009	$1,916,911	$122,245	$223,203	$2,262,359
2010	271,516	0	218,249	489,765
2011 est.	430,077	0	235,000	665,077
2012 est.	1,999,852	140,000	235,000	2,374,852
2013 est.	1,999,852	140,000	235,000	2,374,852
2014 est.	1,999,852	140,000	235,000	2,374,852
2015 est.	1,999,852	140,000	235,000	2,374,852
2016 est.	1,999,852	140,000	235,000	2,374,852

Note: For fiscal 2010 and 2011 only, Chapter 487 of 2009 eliminated the payments to counties for nontimber harvest revenue from State forests and parks; thus, county payments in these years are based only on revenues generated from the sale of timber from forests and from Deep Creek Lake activities. As a result of Chapter 487 of 2009, DNR retained $1.9 million in fiscal 2010 and an estimated $2.0 million in fiscal 2011 that otherwise would have been paid to counties from park-related revenue.

Source: Department of Natural Resources; Department of Legislative Services

Local Effect: Local revenues from payments currently made by DNR decrease by an estimated $89,227 in fiscal 2011 and $2.4 million annually thereafter due to the elimination of the county payments, as described above. Decreases by county for fiscal 2012 are shown in **Appendix C4**.

Program Description: DNR is required to administer the Forest or Park Reserve Fund, the stated purpose of which is to enable DNR to purchase and manage, in the name of the State, lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. All revenues generated from State forests and parks are paid into the fund. Each county in which any State forest or park reserve is located annually receives 15% of the revenues derived from the reserve located in that county. If the forest or park reserve comprises 10% or more of its total land area, the county annually receives 25% of the revenues derived from the reserve.

DNR is also required to administer the Forest and Park Concession Account; its stated purpose is to finance the maintenance and operation of concession operations and the functions of State forests and parks. All money derived from concession operations in State forests and parks is paid into the account. Each county in which any State forest or park reserve is located annually receives 15% of the net revenues derived from the reserve located in that county. If the forest or park reserve comprises 10% or more of its total land area, the county annually receives 25% of the net revenues derived from the reserve.

The Deep Creek Lake Recreation Maintenance and Management Fund is used for the maintenance and management of the land, recreational facilities, and services that are related to Deep Creek Lake in Garrett County. The fund consists of fees collected for boat launching at Deep Creek Lake State Park and funds collected from lake and buffer use permits, contracts, grants, and gifts related to the Deep Creek Lake management program. Garrett County receives 25% of the fund's revenues on a quarterly basis.

The original intent of the county payments was to offset the loss in property taxes to counties in which the State owned a significant amount of acreage.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) prohibited DNR from making revenue-sharing payments to counties from park earnings for fiscal 2010 and 2011 only but did not affect the sharing of revenues generated from the sale of timber or Deep Creek Lake-related activities.

Location of Provision(s) in the Bill: Section 3 (pp. 25-27)

Analysis prepared by: Andrew D. Gray

9-1-1 Trust Fund and State Police Information Technology Project

Provision in the Bill: Authorizes the use of $1,000,000 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 (CAD/RMS) project in the Maryland State Police (MSP).

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

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($1.0)	$0	$0	$0	$0
SF Exp	0	1.0	0	0	0	0

State Effect: General fund expenditures decrease by $1.0 million in fiscal 2012, with a corresponding increase in special fund expenditures, as special funds from the 9-1-1 Trust Fund will be used to support the CAD/RMS project instead of general funds. The proposed fiscal 2012 State budget includes a $1.0 million general fund reduction for the Department of Information Technology, contingent on the enactment of legislation to allow 9-1-1 funds to be used for the project. The fund swap leaves a balance in the 9-1-1 Trust Fund of $4.0 million to support enhancements at Public Safety Answering Points throughout the State. A budget amendment will be required to appropriate the special funds in the MSP budget. Future years are not affected.

Local Effect: Although counties receive grants from the 9-1-1 fee, the fund swap is not anticipated to result in a reduction in grants provided to counties.

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

Recent History: Federal legislation enacted in 2008 prohibits states from receiving any federal 9-1-1-related grant funding if 9-1-1 fee revenues were used for purposes other than those defined as an eligible expense in State and federal law. According to the federal legislation, eligible expenses for the 9-1-1 fees can include emergency services Internet protocol networks, which are defined as engineered, managed networks that are intended to be multipurpose, supporting public safety communications services, in addition to 9-1-1. This provision identifies the CAD/RMS project as an eligible expense for use of 9-1-1 fee revenues. The project received $5.0 million in special fund 9-1-1 fee revenue in fiscal 2011 pursuant to the Budget Reconciliation and Financing Act of 2010 (Chapter 484).

Location of Provision(s) in the Bill: Section 13 (p.60)

Analysis prepared by: Rebecca J. Ruff

Maryland Heritage Areas Authority

Provision in the Bill: Authorizes the Maryland Department of Planning (MDP) to use an additional $500,000 of the Maryland Heritage Areas Authority's (MHAA) Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2012 only.

Agency: Maryland Department of Planning

Type of Action: Fund swap

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($500,000)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $500,000 in fiscal 2012 as $500,000 in additional POS special funds is redirected from the MHAA Grant Program to cover MDP operating expenses. The proposed fiscal 2012 State budget includes a $500,000 general fund reduction for MDP, contingent on legislation authorizing the use of the MHAA special funds to cover MDP operating expenses.

Local Effect: Assuming an average grant amount of $41,740, 12 fewer MHAA grants will be awarded to local governments and nonprofit organizations in fiscal 2012 as a result of this provision.

According to MDP, the average MHAA grant leverages approximately $115,788 in non-State funds. Thus, reducing the MHAA grant funding by $500,000 may result in the loss of up to $1.4 million in leveraged non-State funds.

Program Description: POS, established in 1969 and administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. While bond funds were provided most recently, POS is principally funded through special funds derived from the State's property transfer tax. POS receives 75.15% of the total transfer tax revenues available for allocation, with further distribution of POS funds specified in statute. Up to $3.0 million of the total POS funds is allocated to the MHAA Financing Fund. Under current law, up to 10% of the POS funds allocated to MHAA may be used to pay MHAA operating expenses.

MHAA was established in 1996 to foster heritage tourism by providing technical and financial assistance to create additional historic and cultural destinations within the State. Maryland's 11 heritage areas are locally designated and State certified regions where public and private partners make commitments to preserving historical, cultural, and natural resources for sustainable economic development through heritage tourism. MHAA plans to award a total of $2.7 million in grants in fiscal 2011.

Recent History: In fiscal 2002, the State transferred $3.0 million from the MHAA Financing Fund to the general fund in accordance with Chapter 440 of 2002. Chapter 209 of 2005 increased the amount of POS funding that may be transferred to the MHAA Financing Fund from $1.0 million to up to $3.0 million.

Location of Provision(s) in the Bill: Section 1 (p. 15)

Analysis prepared by: Amanda M. Mock

Strategic Energy Investment Fund

Provision in the Bill: Alters the distribution of proceeds from the Regional Greenhouse Gas Initiative (RGGI) quarterly carbon dioxide emission allowance auctions in the Maryland Strategic Energy Investment Fund (SEIF) for fiscal 2012 through 2014, as shown in **Exhibit 8**.

Exhibit 8
Distribution of RGGI Auction Proceeds from SEIF under Current Law and under the Bill

	Current Law for Fiscal 2012	Current Law Starting in Fiscal 2013	Proposed Allocation for Fiscal 2012-2014
Energy assistance for the Electric Universal Service Program (EUSP) and other electricity assistance programs	Up to 50%	17%	Up to 50%
Residential Rate Relief	23%	23%	0%
Energy Efficiency and Conservation Programs (at least one-half for low- and moderate-income programs)	At least 17.5%	At least 46%	At least 20%
Renewable and clean energy programs; public energy-related education and outreach; and climate change programs	At least 6.5%	Up to 10.5%	At least 20%
Administrative Expenses	Up to 3%, but no more than $4.0 million	Up to 3.5%, but no more than $4.0 million	Up to 10%, but no more than $4.0 million

Source: Department of Legislative Services

Agencies: Maryland Energy Administration; Department of Human Resources

Type of Action: Fund swap

Fiscal Impact: (in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0	($480,218)	decrease	decrease	$0	$0

State Effect: General fund expenditures decrease by an estimated $480,218 in fiscal 2012 due to the increase in the percentage of SEIF funds allocated to the Maryland Energy Administration (MEA) for administrative expenditures. In the absence of this provision, it is assumed that general funds would need to be used to maintain fiscal 2012 administrative expenditures at the fiscal 2011 level.

In fiscal 2013 and 2014, the increase in the percentage of SEIF funds allocated for MEA administration and for the Department of Human Resources' (DHR) electricity assistance programs is likely to result in a decrease in general funds needed for program administration; however, a reliable estimate of any such decrease cannot be made at this time. To the extent the increase in the percentage of funds allocated to MEA for administration allows a fund balance to build up, it is possible that general fund expenditures for MEA could decrease beyond fiscal 2014, but any such decrease is speculative at this time.

Overall special fund expenditures are not affected. The bill simply redistributes the special funds among various programs and eliminates the rate relief program through fiscal 2014. The proposed fiscal 2012 State budget assumes that $35.1 million of SEIF revenue will be available from the auction proceeds and distributes those funds as follows:

- $17.1 million for energy assistance in DHR (49% of proceeds);
- $1.3 million for residential rate relief (available as a result of Auction 12 held during June 2011 and allocated under current law);
- $3.9 million for energy efficiency and conservation programs – low- and moderate-income sectors ($427,630 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF) (11% of proceeds);
- $3.4 million for energy efficiency and conservation programs – all other sectors ($427,630 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF) (10% of proceeds);
- $7.2 million for renewable and clean energy programs, energy-related education and outreach, and climate change programs ($4,618,404 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF) (21% of proceeds);

- $1.7 million for administrative expenditures ($480,218 of which is contingent upon the enactment of legislation authorizing the redistribution of proceeds from RGGI in SEIF). This is 5% of proceeds, less than the 10% allocated to MEA for administration under this bill; thus, some funds will be available for future use; and

- $450,000 for dues paid by the Maryland Department of the Environment to RGGI, Inc.

The proposed fiscal 2012 State budget includes SEIF revenue from Auction 12, distributed pursuant to the Budget Reconciliation and Financing Acts of 2009 and 2010 (Chapters 487 and 484, respectively), for the Rate Relief Program, Energy Efficiency and Conservation Programs-Low and Moderate Income Sector, Renewable and Clean Energy, Climate Change, energy-related education and outreach, and Administration. SEIF revenue from Auction 12 was budgeted in fiscal 2011 for Energy Assistance and Energy Efficiency-All Other Sectors.

Local Effect: Local governments may be affected in fiscal 2012 through 2014 to the extent that the adjustment of distributions affects the funding available for grants or loans to local governments.

Program Description: SEIF was created pursuant to Chapters 127 and 128 of 2008 to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. The fund's primary source of revenue is proceeds from the sale of carbon dioxide emission allowances sold at quarterly RGGI auctions. SEIF also receives revenue from the Alternative Compliance Payments required under the Renewable Portfolio Standard; however, revenue from those payments is not subject to the statutory allocation described above.

DHR's EUSP provides assistance with electric bills and electric bill arrearages to individuals earning between 0.0% and 175.0% of federal poverty guidelines. This program also receives funding from a surcharge on ratepayer bills.

The Public Service Commission determines the rate relief credit following the quarterly RGGI auctions. The credit is distributed to ratepayers on their monthly electric bills. The flat rate credit is typically in effect for three months. The monthly credit in December 2010, January 2011, and February 2011, based on revenue from Auction 9, was $0.38.

Recent History: Chapter 487 of 2009 established an adjusted distribution of revenues from RGGI auctions held between March 1, 2009, and June 30, 2011. Chapter 484 of 2010 continued this adjusted distribution for auctions held through June 30, 2012.

Chapter 490 of 2010 provided for transfers totaling approximately $2.5 million from SEIF to the Transportation Trust Fund from fiscal 2011 through 2013 to replace lost revenue from the excise tax credit for electric vehicles established by that Act. The Administration has proposed separate legislation (SB 177/HB 163 of 2011) that requires transfers from SEIF to the general fund in fiscal 2013 through 2015 to replace lost revenue from a proposed tax credit for electric vehicle charging equipment.

Location of Provision(s) in the Bill: Section 17 (pp. 61-62)

Analysis prepared by: Tonya D. Zimmerman

Fees for Academic Program Reviews

Provision in the Bill: Authorizes the Maryland Higher Education Commission (MHEC) to charge a fee for conducting academic program reviews. The fees collected must be distributed into a special fund, which may be used only for conducting program review. At the end of each fiscal year, any amount in the special fund in excess of $100,000 must revert to the general fund, and any investment earning of the fund must be credited to the general fund.

Agency: Maryland Higher Education Commission

Type of Action: Fund swap; new fee

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$264,300	$264,300	$264,300	$264,300	$264,300
GF Exp	0	(253,208)	(258,272)	(263,437)	(268,706)	(274,080)
SF Exp	0	253,208	258,272	263,437	268,706	274,080
HE Exp	0	93,606	93,606	93,606	93,606	93,606

State Effect: Special fund revenues increase by an estimated $264,300 in fiscal 2012 due to the new fee. This estimate assumes that the fees will be set to cover MHEC's costs to review programs and will range from approximately $300 for reviews requiring minimal administrative effort to as much as $10,000 for the most extensive reviews. Fiscal 2012 general fund expenditures decrease by $253,208 contingent on the enactment of legislation authorizing MHEC to charge fees for conducting program reviews. The proposed fiscal 2012 State budget grants authorization to process a special fund budget amendment of up to this amount to be paid from the special fund established to collect fees for academic program review.

Academic program review fees would be paid by the public and private two- and four-year institutions seeking MHEC approval. MHEC estimates that the public four-year institutions and 16 community colleges (which are operated locally with the exception of Baltimore City Community College (BCCC)) each account for approximately one-third of all program reviews. Accordingly, fiscal 2012 higher education expenditures by public four-year institutions and BCCC increase by an estimated $93,606.

Future years assume a steady rate of academic program review revenues and 2% annual growth in MHEC's review costs. The estimates assume that a small special fund balance will accrue from fiscal 2012 through 2014, allowing higher costs in fiscal 2015 and 2016 to be covered by the special fund.

Local Effect: Community college expenditures for fees to modify, add, and discontinue academic programs increase by an estimated $82,600 annually beginning in fiscal 2012. The actual magnitude of the increase for each college will depend on the schedule of fees adopted by MHEC and the number of requests the college submits to MHEC.

Program Description: MHEC oversees the postsecondary education academic program approval and review process. Postsecondary education institutions submit requests to begin offering new programs, discontinue programs, suspend programs, or reactivate programs. In prior years, MHEC has noted that it receives between 450 and 500 program review requests annually.

MHEC estimates that the program review activity is divided as follows: 33% for public four-year institutions of higher education; 33% for community colleges; 28% for independent nonprofit institutions; and 8% for out-of-state and for-profit institutions.

Recent History: The proposed fiscal 2012 State budget includes $6.3 million for all of MHEC's administrative functions.

Location of Provision(s) in the Bill: Section 1 (p. 13)

Analysis prepared by: Caroline L. Boice

Payroll Attachment Fee

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

Agency: Comptroller's Office

Type of Action: Fund swap; special fund revenue enhancement

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
SF Rev	$0	$50,000	$50,000	$50,000	$50,000	$50,000
GF Exp	0	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
SF Exp	0	50,000	50,000	50,000	50,000	50,000

State Effect: Special fund revenues and expenditures increase by $50,000 beginning in fiscal 2012. The proposed fiscal 2012 State budget includes a $50,000 reduction in general fund expenditures for the Comptroller's Central Payroll Bureau contingent on the enactment of legislation establishing the fee for attachment. The additional special funds will replace the general fund expenditures.

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

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

Recent History: This provision was included in the proposed Budget Reconciliation and Financing Act of 2010 but was removed from the bill in conference committee.

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

Analysis prepared by: Chantelle M. Green

State Retirement and Pension System

Provisions in the Bill: Restructure retirement eligibility, member contributions, and pension benefits for current and future members of the State Retirement and Pension System (SRPS), with particular emphasis on members of the Employees' Pension System (EPS) and Teachers' Pension System (TPS). The provisions described below are divided between those that affect current members, those that affect only future members hired after June 30, 2011, and other provisions.

Current EPS/TPS Members

- By June 15, 2011, current members must choose between increasing their member contribution from 5% to 7% of compensation to retain current benefits or maintaining the 5% contribution and receiving a reduced benefit multiplier, from 1.8% to 1.5%, for each year of service earned after June 30, 2011. Members who do not make an active choice by the deadline are automatically enrolled in the 7% contribution option.
- For nonvested (less than five years of eligibility service) current members of EPS/TPS, the calculation of their average final compensation (AFC) is based on the average compensation earned in the five consecutive years that provide the highest average compensation, instead of three consecutive years.

EPS/TPS Members Hired After June 30, 2011

- The member contribution rate for new members is 7%, and the benefit multiplier is 1.5% for each year of service.
- The vesting requirement is increased from 5 to 10 years.
- The normal service retirement age is raised from 62 to 65, but members can still retire with an unreduced benefit after 30 years of service regardless of age.
- The early retirement age is raised from 55 to 60.
- AFC is based on the "high-five" years, as described above for current nonvested members.
- Upon retirement, current benefits provide a cost-of-living adjustment (COLA) based on the Consumer Price Index for all urban consumers and capped at 3%; however, for new members this benefit would be contingent on SRPS achieving its actuarial target investment return (currently 7.75%). The COLA is capped at 1% in years in which SRPS does not achieve its investment target.
- These changes also apply to new members hired after June 30, 2011, who are employees of participating governmental units (PGUs) that participate in EPS.

Provisions Affecting Other or Multiple Plans

- Member contribution rates for members of the Judges' Retirement System hired after June 30, 2011, increase from 6% to 8%.
- The Deferred Retirement Option Plan (DROP) is repealed for new and nonvested members of the State Police Retirement System (SPRS) and Law Enforcement Officers' Pension System (LEOPS) as of June 30, 2011.
- Military service credit applied for by a member of SRPS after June 30, 2011, is awarded at the accrual rate in effect at the time of the application.

Pension Finance Provisions

- Except for fiscal 2012 and 2013, the Governor must continue to include funding in the budget for SRPS attributable to any reduction in State contribution rates resulting from the benefit changes described above to reduce the system's unfunded liabilities.
- In fiscal 2012, the Governor must include in the budget all but $120 million of the savings for SRPS; in fiscal 2013, all but $60 million is paid to SRPS.

Agencies: All

Type of Action: Cost control

Fiscal Impact:	($ in millions) **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($104.0)	($52.0)	$0	$0	$0
SF Exp	0	(8.0)	(4.0)	0	0	0
FF Exp	0	(8.0)	(4.0)	0	0	0

State Effect: State pension contributions decrease by $120.0 million in fiscal 2012. The proposed fiscal 2012 State budget includes general fund reductions to agency budgets totaling $101.8 million that are contingent on the enactment of legislation altering the pension benefits, and the Administration's budget plan assumes specific general fund reversions from the legislature and Judiciary totaling $2.2 million. It is assumed that the remaining $16.0 million in savings is evenly divided between special and federal funds. In fiscal 2013, State pension contributions decrease by $60.0 million, of which $52.0 million would be general funds and the remaining $8.0 million is evenly divided between special and federal funds.

After fiscal 2013, any reduction in State contribution rates resulting from the restructured benefit is paid to SRPS to reduce the system's unfunded liabilities. Beginning in fiscal 2014, therefore, there is no fiscal effect because State contributions to SRPS do not change.

Local Effect: No fiscal effect on PGUs in fiscal 2012; beginning in fiscal 2013, PGU contribution rates will decrease due to the selections made by current members between the 7% contribution or the reduced 1.5% multiplier. In the out years, PGU contributions will continue to decrease based on the reduced benefit structure for new employees hired by PGUs. Legislative Services has not estimated the amount of savings that may be realized by PGUs.

State payments for the retirement costs of local school, library, and community college employees decrease by $79.9 million in fiscal 2012 and by approximately $40 million in fiscal 2013 due to the fiscal 2012 and 2013 savings assumed in the bill. The decreases are shown by county in **Appendix C3**.

Program Description: SRPS includes multiple defined benefit pension plans for State employees and teachers. **Exhibit 9** summarizes the key elements of the major plans; because it is not affected by the provisions in this bill, the Legislative Pension Plan is not included.

The State pays the full employer contribution for teachers with general funds; the employer contributions for State employees are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds.

The DROP program allows members of SPRS and LEOPS to officially "retire" but to continue working and earning their salary for up to four or five years, respectively. During their time in DROP, members' retirement allowances and COLAs are deposited into individual accounts that earn 6% interest compounded monthly. When they finish their time in DROP, they receive a lump-sum distribution of their DROP account balances.

Approximately 120 local government entities participate in SRPS as PGUs. They are authorized to participate in EPS, LEOPS, and the Correctional Officers' Retirement System. PGUs are responsible for paying the full employer costs for their employees.

Exhibit 9
Key Characteristics of State Retirement and Pension Plans

	Employees and Teachers	State Police	Correctional Officers' System	Law Enforcement Officers' System	Judges
Participation	Condition of employment	Condition of employment	Condition of employment	Condition of employment	Condition of employment
Vesting	5 years of service	5 years of service	5 years of service	5 years of service	Immediate
Employee Contribution	5% of salary	8% of salary	5% of salary	4% of salary	6% of salary (for 16 years)
Service Retirement Conditions	Age 62 or 30 years (age 55 with 15 years reduced benefit)	Age 50 or 22 years of service	20 years service, with at least the last 5 years as correctional officer	Age 50 or 25 years of service	Age 60
Allowance	1.8% per year of service after 7/1/98; plus 1.2% per year of service prior to 7/1/98	2.55% per year of service	1.8% per year of service	2.0% per year if subject to LEOPs' modified pension benefit; otherwise 2.3% for first 30 years and 1.0% for each year thereafter	2/3 of active judge's salary at 16 years
Post Retirement Adjustments	Limited to 3% annual COLA	Unlimited annual COLA	Unlimited annual COLA	Limited to 3% annual COLA	Based on salary of active judges

Source: Department of Legislative Services

Recent History: Chapter 110 of 2006 provided a retroactive benefit enhancement to members of EPS and TPS. It increased their benefit multiplier from 1.4% to 1.8% for service credit earned after June 30, 1998. It also increased the member contribution rate from 2% to 5%, which was phased in over three years.

The general benefit framework for other SRPS plans has not changed in recent years.

Location of Provision(s) in the Bill: Section 3 and 23 (pp. 33-49 and 63)

Analysis prepared by: Michael C. Rubenstein

State Employee Merit Increases

Provision in the Bill: Prohibits merit increases for State employees prior to April 1, 2014, except for increases necessary to retain faculty at public four-year institutions of higher education.

Agencies: All

Type of Action: Cost control

Fiscal Impact:	**FY 2011**	**FY 2012**	*($ in millions)* **FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($63.3)	($128.1)	($178.7)	($134.3)	($137.6)
SF Exp	0	(16.9)	(34.2)	(47.7)	(35.9)	(36.7)
FF Exp	0	(9.7)	(19.7)	(27.5)	(20.7)	(21.2)
Reim Exp	0	(0.8)	(1.6)	(2.3)	(1.7)	(1.8)
HE Exp	0	(15.1)	(30.6)	(42.7)	(32.1)	(32.9)

State Effect: State expenditures for employee merit increases decrease by $105.9 million in fiscal 2012, including a $63.3 million general fund reduction. Expenditure reductions reflect the elimination of merit increases, as well as the associated Social Security payments and retirement contributions, for Executive, Legislative, and Judicial branch employees, including employees of public institutions of higher education. These reductions are assumed in the proposed fiscal 2012 State budget.

Future year expenditure reductions reflect ongoing savings from the prohibition (estimated to increase by 2.4% annually) but assume that merit increases resume beginning April 1, 2014. Savings in fiscal 2015, therefore, are less than the savings achieved in fiscal 2014 since merit increases are expected to be awarded in April 2014, increasing the salary base for fiscal 2015 and 2016.

Recent History: Merit increases are salary increments that are allotted to employees who meet or exceed performance expectations. Annual merit increases typically average 2.4% (cost-of-living increases are typically 2.0% annually). Merit increases and annual salary review reclassifications (as well as cost-of-living increases) were not awarded in fiscal 2003, 2004, 2010, or 2011. Performance bonuses have not been awarded since fiscal 2002. Similar provisions were included in budget reconciliation legislation for fiscal 2010 and 2011.

This provision of the bill is part of a larger multi-year employee compensation plan contained in the January 2011 memorandum of understanding between the Administration and the American Federation of State, County, and Municipal Employees.

A schedule of salary increases is contemplated, as are cost shifting measures related to the employee health insurance plan and the forbearance of other statutory salary increases. The agreement items contemplated are a one-time $750 bonus effective July 1, 2011 ($39.2 million in general funds, $10.7 million in special funds, and $5.5 million in federal funds is included in the proposed fiscal 2012 State budget to provide the bonus); health insurance premium cost shift, employees' share up 5% in fiscal 2013; 2% cost-of-living adjustment effective January 1, 2013; 3% cost-of-living adjustment effective January 1, 2014; and one salary-grade step increase effective April 1, 2014.

There are more than 80,000 employees of Maryland's Executive, Legislative, and Judicial branches of government.

Location of Provision(s) in the Bill: Section 21 (pp. 62-63)

Analysis prepared by: Michael T. Vorgetts and Dylan R. Baker

Retiree Prescription Drug Plan

Provisions in the Bill: Remove retirees from the current State prescription drug plan and give the State authorization to discontinue prescription drug benefits for Medicare-eligible retirees in fiscal 2020.

Agencies: Multiple

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($22.1)	($23.4)	($24.9)	($26.3)	($27.9)
SF Exp	0	(5.4)	(5.7)	(6.0)	(6.4)	(6.8)
FF Exp	0	(3.6)	(3.9)	(4.1)	(4.3)	(4.6)
Reim Exp	0	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
HE Exp	0	(5.8)	(6.1)	(6.5)	(6.9)	(7.3)

State Effect: Expenditures decrease by $37.3 million in fiscal 2012, including a general fund decrease of $22.1 million, due to changes proposed for the retiree prescription drug plan. Currently, retirees are pooled into the same prescription plan as active employees. The new plan will mirror elements of basic federal Medicare Part D offerings. Savings are generated by introducing a $310 deductible, which is not a feature of the active employee plan, and providing a 75% employer subsidy for prescription costs on drug purchases up to $4,550 of out-of-pocket (OOP) expenditures rather than the copay system currently offered. Once the OOP limit is reached in a fiscal year, the plan will pay 100% of the costs for the remainder of the year. The proposed fiscal 2012 State budget includes $35.4 million in savings for Executive Branch agencies contingent on the enactment of legislation establishing a separate retiree prescription drug plan. Another $1.9 million in general fund savings is assumed for the Legislative and Judicial branches. Savings in future years are expected to grow at 6% per year.

The Department of Budget and Management (DBM) advises that the premium for prescription coverage under the proposed plan has yet to be determined. Given the lower coverage level of the coinsurance-based plan as compared to that provided by the copay system of the active plan, the range of monthly premiums for single to family coverage should be less than the $197.57 to $395.15 currently in place, of which retirees pay 20%.

The bill also allows the State to eliminate the retiree prescription drug benefit altogether in fiscal 2020, relying on the projected increase in coverage of federally supported offerings at that time. In conjunction with the lower annual State costs associated with the new retiree-only prescription plan, and assuming this authorization is evaluated by the

State's actuary as expressing intent to eliminate the program, the State's unfunded Other Postemployment Benefits (OPEB) liability is reduced from approximately $15.9 billion to $9.0 billion. The OPEB liability declines significantly from the removal of any projected prescription costs for retirees after fiscal 2019.

Program Description: The retiree prescription drug program provides insurance coverage for retirees from State service within the larger State Employee and Retiree Health and Welfare Benefits Program (State plan). Overseen by DBM, the State plan currently contracts with Catalyst as the State's pharmacy benefits manager. Catalyst will be charged with developing and administering the new retiree-only program, as directed by the Administration. Under current law, employees qualify to participate in the State plan as retirees after 5 years of service, and earn the maximum State subsidy for health benefits after 16 years of service. Moreover, employees with 16 years of service can leave State employment and still claim their benefit when they reach normal retirement age, even if they do not retire directly from the State. The provisions of this bill do not alter eligibility for the State plan.

Section 18 of the proposed fiscal 2012 State budget bill reduces expenditures associated with the removal of retirees from the current commingled prescription plan, contingent on provisions of this bill.

Location of Provision(s) in the Bill: Section 3 (pp. 31-32)

Analysis prepared by: Dylan R. Baker

Rates for Nonpublic Placements and Residential Child Care Group Homes

Provision in the Bill: Holds the fiscal 2012 rates for nonpublic special education placements and for residential child care providers that have their rates set by the Interagency Rates Committee (IRC) at the rates in effect on January 21, 2011.

Agencies: Maryland State Department of Education; Department of Human Resources; Department of Juvenile Services

Type of Action: Cost control

Fiscal Impact:	***($ in millions)*** **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0.0	($9.7)	($10.1)	($10.5)	($10.9)	($11.4)
FF Exp	0.0	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)

State Effect: General fund expenditures for nonpublic special education placements and residential child care group home providers decrease by an estimated $9.7 million in fiscal 2012 due to the freeze on provider rates. This reduction includes savings of an estimated $5.7 million for nonpublic placement costs and savings of an estimated $4.0 million for Department of Human Resources (DHR) and Department of Juvenile Services (DJS) group home costs. A federal fund savings of $1.1 million for residential group homes costs is also projected. The Department of Health and Mental Hygiene (DHMH) places very few children in placements receiving rates from IRC; therefore, no savings from the rate freeze are assumed for DHMH. The proposed fiscal 2012 State budget does not include the funds that would be needed to support increases in provider rates.

Future year estimates of savings assume that future rates will be built off the lower fiscal 2012 base amounts.

Local Effect: The limit on provider rates will reduce local board of education costs for nonpublic special education placements. Under current law, a local school system pays its respective local share of the basic cost of education for each nonpublic placement plus two times the total basic cost of education in the system, as well as 30% of any expense above that sum.

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

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

Recent History: For nonpublic special education placements, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) limited growth in the fiscal 2010 rates to 1% above the fiscal 2009 rates.

For child care group home providers whose rates are set through the IRC process, cost containment actions taken by the Board of Public Works in fiscal 2009 reduced rates by 1%. Chapter 487 of 2009 then held the rates at the reduced levels for fiscal 2010.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then froze both nonpublic and group home provider rates for fiscal 2011. This bill continues the rate freezes for nonpublic placements and group home providers for an additional year.

Location of Provision(s) in the Bill: Section 20 (p. 62)

Analysis prepared by: Mark W. Collins

Youth Camp Health and Safety Standards

Provisions in the Bill: Repeal the existing process for certifying youth camps, which is overseen by the Department of Health and Mental Hygiene (DHMH), and replace it with a process in which private accreditation organizations must approve youth camps before the camps may operate in the State. Accreditation organizations must apply to the Secretary of Health and Mental Hygiene to participate in the program. Prior to approval of an accreditation organization, the Secretary must ensure that the organization's standards are at least equal to existing State requirements, evaluate the organization's survey or inspection process, and enter into a formal written agreement with the organization.

Agency: Department of Health and Mental Hygiene

Type of Action: Cost control

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($334,152)	($347,518)	($361,419)	($375,876)	($390,911)

State Effect: General fund expenditures decrease by $334,152 in fiscal 2012, contingent on the enactment of legislation requiring alternative accreditation of youth camps. This reduction includes 2 permanent positions plus 24 temporary inspectors and 1 temporary data entry clerk for the youth summer camp certification program. Future year savings reflect 4% annual inflation.

Local Effect: Local governments will continue to establish health and safety standards pertaining to the operation of youth camps.

Program Description: Currently, the Division of Community Services within DHMH certifies youth camps to protect the health and safety of children attending camps. Maryland regulations establish minimum standards to ensure that camp operators conduct criminal history records checks for employees; provide health supervision; implement health and safety procedures at the camps; maintain requirements to report injury, illness, or abuse; maintain facility requirements; and maintain requirements to conduct high-risk recreational activities safely. A youth camp operator is required to obtain a certificate or letter of compliance from DHMH to operate a youth camp. State certification fees vary from $75 for day camps to $100 for residential camps, travel camps, and trip camps.

Recent History: The fiscal 2011 budget reduced temporary assistance for summer camp inspections by $101,000. This reduction included 20 temporary inspectors and

1 temporary data entry clerk. Due to this reduction, fewer than 10% of camps that required inspections during fiscal 2011 were actually inspected.

Location of Provision(s) in the Bill: Sections 2 and 3 (pp. 16-19)

Analysis prepared by: Erin K. McMullen

Per Pupil Foundation Amount

Provision in the Bill: Rebases the per pupil foundation amount, a key component of State formula aid to public schools, at $6,599 in fiscal 2012.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($93.7)	($98.3)	($110.1)	($113.4)	($118.0)

State Effect: Mandated general fund expenditures decrease by $93.7 million in fiscal 2012 due to the $150 reduction in the per pupil foundation amount. This includes a $62.1 million decrease in foundation program aid and decreases of $24.0 million, $5.9 million, and $3.6 million for the compensatory education, special education, and limited English proficiency formulas, respectively. The decreases are offset somewhat by a $1.9 million increase in guaranteed tax base funding. The proposed fiscal 2012 State budget includes adjustments to the funding levels for these programs that are contingent on legislation reducing the per pupil foundation amount. The budget as proposed assumes no reduction in funding for the Geographic Cost of Education Index (GCEI) even though that formula would normally be negatively impacted by a reduction in the per pupil funding level.

Future year decreases reflect inflation and projected student population changes growing off the new base. In addition, it is assumed that funding for GCEI will be based on the lower per pupil funding amount beginning in fiscal 2013.

Reductions in State aid beginning in fiscal 2012 will also 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 reducing State aid to school systems is likely to reduce the number of new personnel hired by school systems and/or reduce growth in the salaries of existing school staff. Either of these outcomes will slow growth in the professional salary bases of local school systems and reduce future retirement costs. Reductions are estimated at $9.9 million in 2014 and $11.7 million by fiscal 2016. **Exhibit 10** shows projected reductions in general fund expenditures in fiscal 2012 through 2016.

Exhibit 10
Estimated Impact on General Fund Expenditures by Education Aid Program
Fiscal 2012 to 2016
($ in Millions)

Program	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Foundation Program	($62.1)	($62.6)	($63.3)	($64.5)	($66.1)
Geographic Cost Index	0.0	(2.9)	(2.9)	(2.9)	(3.0)
Compensatory Education	(24.0)	(24.7)	(25.5)	(26.1)	(27.7)
Special Education Formula	(5.9)	(6.0)	(6.0)	(6.2)	(6.3)
Limited English Proficiency	(3.6)	(4.0)	(4.4)	(4.8)	(5.3)
Guaranteed Tax Base	1.9	1.9	1.9	2.1	2.2
Direct Aid Subtotals	**($93.7)**	**($98.3)**	**($100.2)**	**($102.4)**	**($106.2)**
Teachers' Retirement	0.0	0.0	($9.9)	($11.0)	($11.7)
Grand Total	**($93.7)**	**($98.3)**	**($110.1)**	**($113.4)**	**($118.0)**

Source: Department of Legislative Services

Local Effect: Direct State aid to local public school systems is reduced by $93.7 million in fiscal 2012. Future year reductions reflect projected student population increases, slight increases in disparity between projected per pupil funding under current law as compared to the bill, and reduced GCEI funding beginning in fiscal 2013. The fiscal 2012 reductions are shown by county in **Appendix C1**.

Program Description: For fiscal 2012 to 2015, current law inflates the per pupil foundation amount by the lesser of (1) the increase in the Implicit Price Deflator for State and Local Government Purchases (IPD); (2) the increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore Metropolitan Area; or (3) 1%. Without the bill's proposed change, the per pupil amount for fiscal 2012 will be $6,749, a 0.8% increase over the fiscal 2011 per pupil funding level of $6,694. Beginning in fiscal 2016, inflation is capped at 5% instead of the 1% limit in place for fiscal 2012 through 2015.

The majority of State education aid is distributed to local school systems through formulas that are based primarily on student enrollments and local wealth. The per pupil foundation amount affects State funding under the foundation program; GCEI; the compensatory education, special education, and limited English proficiency formulas; and the guaranteed tax base program.

Recent History: From fiscal 2002 to 2008, during the phase in of the Bridge to Excellence in Public Schools Act of 2002 (Chapter 288), the per pupil foundation amount increased by an average of 8.4% per year, reaching $6,694 when fully phased in, in fiscal 2008. Chapter 2 of the 2007 special session then froze the per pupil amount at the fiscal 2008 level of $6,694 for fiscal 2009 and 2010 and capped annual inflationary increases at 5%. The inflation measures used to determine the fiscal 2011 increase in the per pupil amount showed no growth, so the fiscal 2011 target per pupil foundation amount remained at the fiscal 2008 level for a fourth consecutive year.

The Budget Reconciliation and Financing Act of 2009 (Chapter 487) limited to 1% the fiscal 2012 inflationary increases for the student transportation formula and the per pupil foundation amount. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then extended the 1% cap on per pupil funding through fiscal 2015.

Location of Provision(s) in the Bill: Section 1 (pp. 11-12)

Analysis prepared by: Scott P. Gates

InterCounty Connector Funding

Provision in the Bill: Alters the timing of support for the InterCounty Connector (ICC) to allow the final payment to be made in fiscal 2012 or 2013.

Agency: Maryland Transportation Authority

Type of Action: Temporary mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	$0	$10.0	$0	$0	$0
Bond Exp	0	(10.0)	0	0	0	0

State Effect: General obligation (GO) bond expenditures for ICC decrease by $10.0 million in fiscal 2012, with a corresponding increase in general fund expenditures in fiscal 2013 due to the change in the payment schedule.

Program Description: ICC will be an 18.8-mile highway connecting the I-270/I-370 corridor in Montgomery County with the I-95/US 1 corridor in Prince George's County. The six-lane highway will be the State's first fully electronic toll facility and the first to utilize congestion pricing. A portion of the road will open in early 2011.

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

In October 2008, the Governor withdrew $20.0 million from the fiscal 2009 appropriation through the Board of Public Works. Chapter 487 of 2009 withdrew the remaining $65.0 million general fund appropriation, allowed the use of GO bond proceeds to make the required payments, and reduced the fiscal 2010 payment from $63.0 million to $55.0 million. In fiscal 2010, a payment of $55.0 million in GO bonds was made, leaving a remaining balance of $156.9 million to be paid in fiscal 2011. Chapter 484 of 2010 again altered the payment schedule to require a payment of at least $80.0 million in fiscal 2011, with the remaining balance to be paid in fiscal 2012. In fiscal 2011, a payment of $89.3 million in GO bonds was made. The proposed fiscal 2012 capital budget includes a payment of $57.6 million in GO bonds, leaving a remaining balance of

$10.0 million. The 2011 *Capital Improvement Program* assumes the remaining $10.0 million will be paid with general funds in fiscal 2013.

Location of Provision(s) in the Bill: Section 3 (p. 53)

Analysis prepared by: Jaclyn D. Hartman

Library Aid

Provisions in the Bill: Hold the per resident amount used in the local library aid formula at $14.00 for fiscal 2012 through 2016. The per resident amount increases to $14.30 in fiscal 2017, $14.60 in fiscal 2018, and $15.00 in fiscal 2019 and subsequent years.

In addition, the per resident allocations to the State Library Resource Center and the State's three regional resource centers are held at the fiscal 2011 per resident amounts. Funding for the State Library Resource Center is set at $1.67 per State resident for fiscal 2012 through 2016 before increasing to $1.73 in fiscal 2017, $1.79 in fiscal 2018, and $1.85 for 2019 and subsequent years. Funding for regional resource centers is set at $6.75 per resident of the region for fiscal 2012 through 2016, $7.00 per resident in fiscal 2017, $7.25 per resident in fiscal 2018, and $7.50 per resident for fiscal 2019 and thereafter.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($4.1)	($4.1)	($4.1)	($4.1)	($4.2)

State Effect: Mandated general fund expenditures for the library aid formula decrease by $2.4 million annually in fiscal 2012 through 2016. Mandated general fund expenditures for the State library network decrease by $1.7 million annually in fiscal 2012 through 2015 and by $1.8 million in fiscal 2016. The proposed fiscal 2012 State budget includes $4.1 million in reductions for libraries, contingent on the enactment of legislation to reduce the required funding levels.

Local Effect: State aid to local public library systems and the State library network decreases by $4.1 million annually in fiscal 2012 through 2015 and by $4.2 million in fiscal 2016. The reductions are shown by county in **Appendix C2**.

The reduction to the current law per resident amount also decreases the required minimum local funding amount, although the counties and Baltimore City could continue to fund their local libraries above the minimum required level. There is no local maintenance of effort requirement for libraries outside the local share of library aid formula.

Program Description: The library aid formula determines State and local minimum required payments to each of the 24 local library boards. The State pays approximately

40% of the total formula cost on a wealth-equalized basis, with the local jurisdictions providing the remaining 60%.

There are three regional library resource centers located in Charlotte Hall, Hagerstown, and Salisbury and serving Southern Maryland, Western Maryland, and the Eastern Shore, respectively. The State Library Resource Center is located in Baltimore City. Funding for the resource centers is provided by the State.

Recent History: Chapter 481 of 2005 started a four-year phase-in of enhancements for the regional resource centers and the library aid formula, increasing the per resident allocations for the formulas by $1 per year to get to $8.50 per resident for the regional resource centers and $16 per resident for the library aid formulas by fiscal 2010. The enhancements were interrupted by budget reconciliation legislation in the 2007 special session (Chapter 2) and the 2009 session (Chapter 487). The Budget Reconciliation and Financing Act of 2010 (Chapter 484) then halted the enhancements early, scheduled to be in fiscal 2012, leaving the formulas $1 per resident short of the goals initially set by Chapter 481 of 2005. Chapter 487 of 2009 also reduced the annual allocation to the State Library Resource Center from $1.85 per State resident to $1.67 per resident for fiscal 2010 and 2011. This bill would hold all three per resident allocations at the fiscal 2011 levels until fiscal 2017, when a phase-up to planned funding levels would restart.

Location of Provision(s) in the Bill: Section 1 (pp. 14-15)

Analysis prepared by: Scott P. Gates

Statewide and Health Manpower Grant Program

Provision in the Bill: Repeals the requirement that the Governor provide a deficiency appropriation in the following year's budget bill for a shortfall in the Statewide and Health Manpower Grant Program. Beginning in fiscal 2012, the Maryland Higher Education Commission (MHEC) must prorate reimbursements to community colleges from the program if sufficient funding is not provided in the State budget to fully fund the required payments.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0.0	($3.7)	($3.9)	($4.0)	($4.2)	($4.3)

State Effect: General fund expenditures decrease by an estimated $3.7 million in fiscal 2012, which represents the difference between the expected fiscal 2012 cost of the Statewide and Health Manpower Grant Program and the $6.0 million in the proposed fiscal 2012 State budget for the program. Without this provision, the unfunded portion of the fiscal 2012 program cost would have to be included in next year's budget bill as a fiscal 2012 deficiency appropriation. Future year expenditure reductions reflect the difference between estimated current law program costs, inflated with projected increases in community college enrollment, and a flat $6.0 million annual appropriation for the program, which is consistent with recent appropriations.

Local Effect: State aid to local community colleges through the grant program decreases by an estimated $3.7 million in fiscal 2012 and by approximately $4.0 million annually from fiscal 2013 to 2016 due to the elimination of the mandate associated with the program. Students in the Statewide and Health Manpower Grant Program are out-of-county residents who would normally pay higher tuition rates at community colleges. The State reimburses the colleges for waived out-of-county tuition charges, which it will no longer be required to do in full under the bill.

Program Description: The Statewide and Health Manpower Grant Program exists to encourage enrollment in certain degree programs that are not available at a student's local community college. The degree programs are in fields identified as State workforce shortage needs. The community college charges the out-of-county student an in-county tuition rate, with the difference between the two tuition rates paid by the State.

Recent History: The Statewide and Health Manpower Grant Program has accrued a multi-million dollar liability in recent years. Although deficits have been reported in prior years, deficiency appropriations have not been provided. However, a $2.0 million deficiency appropriation for fiscal 2011 is included in the proposed fiscal 2012 State budget because the shortfall grew so large that the fiscal 2012 allowance could not cover prior-year costs. Even with the deficiency appropriation, accrued liabilities are expected to total approximately $7.7 million by the end of fiscal 2011.

Location of Provision(s) in the Bill: Section 1 (pp. 13-14)

Analysis prepared by: Richard H. Harris

Maryland Agricultural and Resource-Based Industry Development Corporation

Provision in the Bill: Reduces mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) to $1,000,000 in fiscal 2012, $2,000,000 in fiscal 2013, and $3,000,000 in fiscal 2014.

Agency: Maryland Department of Agriculture

Type of Action: Temporary mandate relief

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($1.8)	($2.0)	($1.0)	$0	$0

State Effect: General fund expenditures decrease by $1.75 million in fiscal 2012 by reducing the mandated appropriation for MARBIDCO to $1.0 million. The proposed fiscal 2012 State budget includes $2.75 million for MARBICO, but that appropriation is reduced by $1.75 million contingent upon the enactment of legislation reducing the mandated amount of funds for the corporation. Although the Governor is required to include general funds of $4.0 million in the annual budget for MARBIDCO for fiscal 2012 through 2020, Section 32 of the Budget Reconciliation and Financing Act of 2010 (Chapter 484) generally relieved the Governor of the obligation to provide any increases in mandated funding beyond the amounts provided in the fiscal 2011 State budget. Therefore, the proposed fiscal 2012 State budget prior to the contingent reduction includes only $2.75 million for the program (based on the fiscal 2011 appropriation).

Mandated general fund expenditures decrease by $2.0 million in fiscal 2013 and by $1.0 million in fiscal 2014, based on the amount the Governor otherwise would have been required to fund ($4.0 million in both years).

Local Effect: Local governments may be affected in fiscal 2012 through 2014 to the extent the reduction in mandated funding limits MARBIDCO's cost-share support to local government-funded rural business development projects. Any impact on local governments is likely minimal, however.

Program Description: MARBIDCO, established under Chapter 467 of 2004, is a public corporation and instrumentality of the State helping Maryland's farm, forestry, seafood, and related rural businesses to achieve profitability and sustainability.

Recent History: The Agricultural Stewardship Act of 2006 (Chapter 289) mandated rural business development and assistance funding for MARBIDCO at $1.0 million in fiscal 2007, $3.0 million in fiscal 2008, $3.5 million in fiscal 2009, and $4.0 million in fiscal 2010 through 2020. The full mandated amounts were provided in fiscal 2007 and 2008, but the required fiscal 2009 funding level of $3.5 million was reduced to $3.25 million by the General Assembly and then to $2.75 million by the Board of Public Works in October 2008. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) then reduced the required fiscal 2010 and 2011 funding levels to $2.75 million, and required that the Governor include $4.0 million annually for fiscal 2012 through 2020. The fiscal 2011 State budget includes $2.75 million for the program.

Location of Provision(s) in the Bill: Section 1 (p. 11)

Analysis prepared by: Lesley G. Cook

Distinguished Scholar Program

Provision in the Bill: Prohibits the Maryland Higher Education Commission from making new scholarship awards under the Distinguished Scholar Program for the 2011-2012 academic year and in each year thereafter. The program is then repealed as of July 1, 2015.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief; program elimination

Fiscal Impact:	*($ in millions)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($1.1)	($2.1)	($3.2)	($4.2)	($4.2)

State Effect: General fund expenditures decrease by $1.05 million in fiscal 2012 due to the prohibition against new Distinguished Scholar awards in the 2011-2012 academic year. The proposed fiscal 2012 State budget includes a corresponding general fund expenditure reduction, contingent on legislation reducing the required appropriation for the program. Future years reflect the ongoing prohibition against new awards until current awardees are phased out of the Distinguished Scholar Program by fiscal 2015.

Program Description: The Distinguished Scholar Program provides 350 four-year scholarships in the amount of $3,000 per year to qualifying Maryland residents for use at postsecondary institutions of higher education in the State.

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

As introduced, the Budget Reconciliation and Financing Act of 2010 included a provision to prohibit new scholarships from being awarded under the Distinguished Scholar Program during the 2010-2011 academic year only. The General Assembly did not adopt the provision.

Location of Provision(s) in the Bill: Sections 1, 4, and 29 (pp. 14, 58, and 64)

Analysis prepared by: Rachel N. Silberman

Jack F. Tolbert Scholarship Program

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

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief; program elimination

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$0	($200,000)	($200,000)	($200,000)	($200,000)	($200,000)

State Effect: Mandated general fund expenditures for the Jack F. Tolbert Scholarship Program are eliminated resulting in a fiscal 2012 savings of $200,000. The proposed fiscal 2012 State budget includes a $200,000 reduction in funding for the program, contingent upon enactment of legislation to repeal the program.

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

Recent History: In fiscal 2009, the Jack F. Tolbert Scholarship Program was appropriated $277,500. The fiscal 2010 State budget adopted by the General Assembly level-funded the program, but the Board of Public Works later eliminated funding for the program. In fiscal 2011, the program was funded at $200,000. As introduced, the Budget Reconciliation and Financing Act of 2010 proposed a repeal of the program, but that provision was deleted from the bill.

Location of Provision(s) in the Bill: Section 5 (p. 58)

Analysis prepared by: Rachel N. Silberman

Mandated Appropriation Increases for Fiscal 2013 through 2016

Provision in the Bill: Relieves the Governor of the obligation to provide for any increases beyond the amounts provided in the fiscal 2012 State budget for any program or item in the fiscal 2013 through 2016 budgets proposed by the Governor. The provision does not apply to mandated State aid for primary and secondary education, the State's required retirement contributions, any appropriation to the Maryland Agricultural and Resource-Based Industry Development Corporation, and required appropriations to the Revenue Stabilization Account.

Agencies: Multiple

Type of Action: Mandate relief

Fiscal Impact:	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF/SF Exp	$0	$0	decrease	decrease	decrease	decrease

State Effect: General and special fund expenditures may decrease in fiscal 2013 through 2016 due to the elimination of mandated increases in appropriations. Future years may also be affected to the extent that lower appropriations in fiscal 2013 through 2016 reduce mandated amounts for future fiscal years. The actual impact will depend on budget decisions made by the Governor and cannot be reliably estimated.

Local Effect: State aid to local jurisdictions could be affected by the provision but will depend on budget decisions made by the Governor and cannot be reliably estimated. The Administration's general fund expenditure forecast assumes that some programs, such as those for State aid for police protection, local health departments, and community colleges, will be level funded through fiscal 2016.

Recent History: Budget reconciliation legislation in 2009 (Chapter 487) and 2010 (Chapter 484) included similar provisions that relieved the Governor of some mandates in the proposed fiscal 2011 and 2012 State budgets. Both of the prior-year provisions included an additional exemption for any mandates that were addressed within the reconciliation legislation.

Location of Provision(s) in the Bill: Section 19 (p. 62)

Analysis prepared by: Mark W. Collins

Retention Bonus Exemption for Facilities to be Closed

Provision in the Bill: Exempts the Department of Health and Mental Hygiene (DHMH) from the statewide prohibition from providing bonus payments to State employees for fiscal 2011 and 2012; however, the exemption only applies if such payments are required to retain State employees at facilities that are scheduled to be closed, subject to approval by the Secretary of Budget and Management.

Agencies: Department of Health and Mental Hygiene; Department of Budget and Management

Type of Action: Personnel expenditure

Fiscal Impact:	*(in dollars)* **FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Exp	$30,000	$0	$0	$0	$0	$0

State Effect: General fund expenditures increase by an estimated $30,000 in fiscal 2011 due to the exemption. As of February 2011, the only foreseeable use of this exemption would be to provide retention bonuses for employees at the Brandenburg Center, which is scheduled to close by the end of fiscal 2011. DHMH estimates that 10 employees will likely be required to assist the transition of the final 5 clients out of the facility. Each would receive a $3,000 retention bonus for this activity.

Program Description: The Brandenburg Center, a State residential center that has been providing residential and rehabilitative services to adults with intellectual and developmental disabilities, is scheduled to close by the end of fiscal 2011.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) prohibits the award of bonus payments during fiscal 2011 to any State employee, with specified exceptions. This bill contains a similar prohibition for fiscal 2012. A similar $3,000 retention bonus payment was made to the 25 employees that stayed through the closing of the Rosewood Center to assist with client transitions in fiscal 2010.

Location of Provision(s) in the Bill: Section 22 (p. 63)

Analysis prepared by: Katie K. Wunderlich and Dylan R. Baker

Racetrack Facility Renewal Account

Provision in the Bill: Requires the transfer of $3,600,000 from the Racetrack Facility Renewal Account to the Maryland Economic Development Corporation (MEDCO) in fiscal 2011. To the extent that the total amount of funds required for this transfer are not yet accrued in the account in fiscal 2011, the remainder must be transferred in fiscal 2012. An additional amount, up to $400,000, must also be transferred in fiscal 2012 for specified purposes.

Agencies: Department of Labor, Licensing, and Regulation; Maryland Economic Development Corporation

Type of Action: Expenditure transfer

Fiscal Impact: None.

State Effect: No overall impact on State finances. The provision requires that $3.6 million (plus an additional $400,000) be transferred to MEDCO instead of forwarding the funds to horse racetracks for capital improvements. It is expected that the Racetrack Facility Renewal Account will accrue $3.3 million in fiscal 2011 and $9.9 million in fiscal 2012. Thus, it is assumed that $3.3 million will be transferred to MEDCO in fiscal 2011 and up to $700,000 will be transferred in fiscal 2012 (the remaining $300,000 and an additional amount, up to $400,000).

Program Description: The Racetrack Facility Renewal Account is designed to provide matching funds for horse racetrack facility capital construction and improvements. The account's revenues are derived from 2.5% of gross video lottery terminal (VLT) proceeds. Of the total, 80% is allocated to Pimlico Race Course, Laurel Park, and the Racecourse at Timonium and 20% to Rosecroft Raceway and Ocean Downs Race Course.

Recent History: Chapters 4 and 5 of the 2007 special session authorized up to 15,000 VLTs in five locations across the State, contingent on passage of a voter referendum at the November 2010 general election. Chapter 4 created the Racetrack Facility Renewal Account and required that 2.5% of VLT revenues be deposited in the account to be used for capital improvements at horse racing tracks.

In 2009, the Video Lottery Facility Location Commission rejected a bid from the Laurel Racing Association to install VLTs at Laurel Park due to a failure to pay the initial license fee. After a local ballot measure to officially allow VLTs at Laurel Park and a different location in Anne Arundel County passed in November 2010, the owners of the racetrack submitted a severely reduced 2011 racing schedule to the Maryland Racing

Commission, claiming that an ongoing operating deficit made it impossible to maintain the same level of racing at Laurel Park and Pimlico Race Course, which are both owned by the same entities.

In December 2010, the racing commission rejected the Maryland Jockey Club's proposal to significantly reduce the number of scheduled racing days, from 146 racing days in 2010 at Laurel Park and Pimlico Race Course to 77 racing days in 2011. As a result, the Jockey Club announced that it might need to lay off hundreds of employees and close Laurel Park and the Bowie training facility.

In order to prevent that eventuality, an agreement was reached between the State, the Jockey Club, the Maryland Horse Breeders' Association, and the Maryland Thoroughbred Horsemen's Association. In order to subsidize the racetrack operations for 2011, the State will advance $3.6 million and the breeders/horsemen will contribute $1.7 million to the Jockey Club. The State funds will be advanced using MEDCO, which will be repaid from VLT proceeds dedicated to racetrack capital improvements.

This provision will require racetrack capital renewal funds to be used to repay the advance from MEDCO. There are funds in the proposed fiscal 2012 State budget for the racetrack renewal account for racetrack facility capital construction and improvements ($9.9 million). Because two VLT facilities are operational in fiscal 2011, the fiscal 2011 working appropriation also contains funds for this purpose ($3.1 million). Revised revenue estimates project $3.3 million in fiscal 2011.

The agreement described above will allow the racetracks to operate a 2011 live racing schedule similar to the 2010 racing schedule with a 146-day racing season that includes the 136th running of the Preakness at Pimlico. The agreement will also provide for the continued year-round operation of the Bowie Training Center.

Location of Provision(s) in the Bill: Section 16 (p. 61)

Analysis prepared by: Jody J. Sprinkle

General Assembly Compensation Commission and Governor's Salary Commission Reports

Provision in the Bill: Requires that the Governor's Salary Commission (GSC) and the General Assembly Compensation Commission (GACC) include specific recommendations in their respective reports concerning appropriate benefit and member contribution levels for the Governor's Pension Plan and the Legislative Pension Plan. The recommendations should take into account the overall sustainability of the pension systems.

Agency: Department of Legislative Services

Type of Action: Reporting requirement

Fiscal Impact: None.

State Effect: GSC and GACC will next convene in fiscal 2014. The Department of Legislative Services, which staffs both commissions, can carry out the requirements with existing resources.

Program Description: In accordance with Article III, Section 15 of the Maryland Constitution, a nine-member GACC submits salary, allowance, and benefit recommendations to the legislature every four years. The constitution, as interpreted by the Attorney General, gives the commission exclusive jurisdiction over the legislative retirement system. The General Assembly may vote to either reject or reduce the commission's recommendations but may not increase them. Changes to compensation and benefits take effect during the successive legislative term.

In accordance with the Maryland Constitution, a seven-member GSC must submit salary recommendations for the Governor and Lieutenant Governor to the General Assembly within 10 calendar days after the beginning of the last regular General Assembly session in a four-year term of office. A joint resolution incorporating the recommendations must be introduced in each house of the General Assembly by the fifteenth day of the session. The General Assembly may endorse or reduce the commission's proposals but may not increase the proposed salaries.

Recent History: As of June 30, 2010, the State Retirement and Pension System is funded at 64.1% on an actuarial basis, and current employer contribution rates are projected to grow to 25% of compensation within 10 years. The Public Employees' and Retirees' Benefit Sustainability Commission, which was established by the Budget Reconciliation and Financing Act of 2010 (Chapter 484), called the current benefit structure unsustainable in its 2010 interim report.

Other provisions in this bill propose to restructure pension benefits for current and future State employees and teachers and to reinvest the savings generated by the changes to improve the funded status of the system. Changes are not proposed to the Legislative Pension Plan because it is under the exclusive purview of GACC.

Location of Provision(s) in the Bill: Section 24 (p. 63)

Analysis prepared by: Michael C. Rubenstein

State Retirement and Pension System Reports

Provisions in the Bill: Require the Board of Trustees of the State Retirement and Pension System to report annually to the Governor and the Joint Committee on Pensions on the system's funding progress. Also, the Secretary of Budget and Management must report biennially, beginning January 1, 2013, to the Governor and the General Assembly on the system's financial health. The Secretary's report must reflect progress in meeting the statutory funding goals and must include recommendations to modify funding methods or benefit structures.

Agencies: State Retirement Agency; Department of Budget and Management

Type of Action: Reporting requirement

Fiscal Impact: None.

State Effect: Through its annual actuarial valuations, the State Retirement Agency already collects the data needed for the mandated reports. Therefore, the reporting requirements have no fiscal effect.

Program Description: The June 30, 2010 actuarial valuation of the State Retirement and Pension System determined that, on an actuarial basis, the system is 64.1% funded. Under the current benefit structure, the system is projected to reach 80% funding in fiscal 2026 and 100% funding in fiscal 2034. The pension benefit restructuring and funding changes included in this bill are designed to achieve an 80% funding level by fiscal 2023 and 100% funding by fiscal 2030. However, these specific goals are not included in this bill or in current law.

Location of Provision(s) in the Bill: Section 25 (pp. 63-64)

Analysis prepared by: Michael C. Rubenstein

Appendix B

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GENERAL FUND REVENUES						
Dedicated Revenue Redirection						
Medicare Prescription Drug Subsidies	23,000,000	24,000,000	25,440,000	26,966,400	28,584,384	30,299,447
Traffic Conviction Surcharges	266,875	4,100,656	(2,673,925)	(2,716,543)	(340,979)	(340,979)
Gasoline and Motor Vehicle Revenue Account		60,000,000				
Chesapeake and Atlantic Coastal Bays 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				
Subtotal – Dedicated Revenue Relief	***23,266,875***	***120,970,100***	***48,842,658***	***46,785,702***	***47,292,604***	***45,583,155***
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				
Real Property Records Improvement Fund		10,000,000				
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				
Subtotal – Fund Balance Transfers	***7,747,172***	***204,238,891***	***0***	***0***	***0***	***0***
General Fund Revenue Enhancements						
Sales Tax Vendor Discount Cap		17,771,806	19,704,899	20,796,837	22,040,072	23,312,666
Tax Clearance for Driver's License/Vehicle Registrations		15,000,000	20,000,000	7,500,000	7,500,000	7,500,000
Dangerous Driver Fees		3,772,420	7,687,945			
Probation Supervision Fees		3,090,000	3,875,400	3,875,400	3,875,400	3,875,400
IWIF Premium Tax		1,870,000	3,360,000	3,528,000	3,704,400	3,889,620

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Delay Payments to DDA Providers		525,000	550,200	576,610	604,287	633,293
Reduce Abandoned Property Admin Costs		500,000	500,000	500,000	500,000	500,000
Repeal Maryland-mined Coal Tax Credit			4,500,000	6,000,000	6,000,000	3,000,000
Subtotal – Revenue Enhancements	***0***	***42,529,226***	***60,178,444***	***42,776,847***	***44,224,159***	***42,710,979***
TOTAL GENERAL FUND REVENUES	**31,014,047**	**367,738,217**	**109,021,102**	**89,562,549**	**91,516,763**	**88,294,134**
SPECIAL FUND REVENUES						
Increased Hospital Assessments		254,050,000	264,651,000	275,464,020	286,493,300	297,743,166
Increased Nursing Home Assessments		35,500,000	36,920,000	38,396,800	39,932,672	41,529,979
County Funding of SDAT Property Valuation		34,810,988	34,149,718	34,439,939	34,738,638	35,045,757
County Payment for Students in State Care		5,199,684	5,251,484	5,303,802	5,356,638	5,463,864
Dangerous Driver Fees-MVA Collections for Admin		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Sales Tax Vendor Discount Cap for TTF		994,621	1,102,808	1,445,769	1,532,198	1,620,667
Traffic Surcharges for Riley Tuition Reimbursement		340,979	340,979	340,979	340,979	340,979
Fees for Postsecondary Academic Program Review		264,300	264,300	264,300	264,300	264,300
Payroll Attachment Fees		50,000	50,000	50,000	50,000	50,000
Dangerous Driver Fees for MEMSOF				9,749,155	10,367,260	10,367,260
Postretirement Health Benefits Trust Fund			(25,440,000)	(26,966,400)	(28,584,384)	(30,299,447)
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 and Atlantic Coastal Bays 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)				
Traffic Conviction Surcharges for Volunteer Co. Assistance Fund	(266,875)	(4,441,635)	2,332,946	2,375,564		
Employees' and Retirees' Health and Welfare Fund	(23,000,000)					
TOTAL SPECIAL FUND REVENUES	**(23,266,875)**	**196,399,494**	**295,546,653**	**320,328,083**	**333,442,402**	**348,501,838**
FEDERAL FUND REVENUES						
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**
NONBUDGETED REVENUES						
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**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GENERAL FUND EXPENDITURES						
Fund Swaps and Cost Shifts						
Senior Drug Program for Kidney Disease	(2,500,000)	(3,000,000)	(3,000,000)			
Hospital Assessments		(254,050,000)	(264,651,000)	(275,464,020)	(286,493,300)	(297,743,166)
Education Jobs Fund Savings		(124,420,746)				
Highway User Revenues to Rainy Day Fund		(39,500,000)				
SDAT Property Valuation with County Funds		(34,810,988)	(34,149,718)	(34,439,939)	(34,738,638)	(35,045,757)
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)
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 Park PILOTs		(2,374,852)	(2,374,852)	(2,374,852)	(2,374,852)	(2,374,852)
9-1-1 Fees for State Police IT Projects		(1,000,000)				
MD Heritage Areas Grants for Planning Administration		(500,000)				
RGGI Funds for Administrative Costs		(480,218)				
Traffic Surcharges for Riley Tuition Reimbursements		(340,979)	(340,979)	(340,979)	(340,979)	(340,979)
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)
Subtotal – Fund Swaps and Cost Shifts	***(2,500,000)***	***(509,524,601)***	***(356,155,295)***	***(368,213,819)***	***(380,526,475)***	***(393,152,412)***
Cost Control Measures						
Restructure Employee and Teacher Pensions		(104,000,000)	(52,000,000)			
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)
Group Home and Nonpublic Placement Rates		(9,698,507)	(10,089,522)	(10,504,084)	(10,939,597)	(11,414,897)
Privatize Youth Camp Accreditation Process		(334,152)	(347,518)	(361,419)	(375,876)	(390,911)
Subtotal – Cost Control Measures	***0***	***(199,451,373)***	***(213,999,052)***	***(214,381,819)***	***(171,999,011)***	***(177,294,261)***
Mandate Relief						
Per Pupil Foundation Amount		(93,746,717)	(98,344,873)	(110,145,756)	(113,378,536)	(117,963,183)
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)
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)
Subtotal – GF Mandates	***0***	***(104,533,944)***	***(110,608,769)***	***(122,626,595)***	***(126,059,249)***	***(130,857,497)***

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Other General Fund Expenditure Impacts						
InterCounty Connector Payment Deferral			10,000,000			
DDA Administrative Costs for Payment Schedule		181,438	172,867	182,022	191,706	201,955
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***	***14,871,118***	***10,457,532***	***330,531***	***346,663***	***363,643***
TOTAL GENERAL FUND EXPENDITURES	**(2,470,000)**	**(798,638,800)**	**(670,305,584)**	**(704,891,702)**	**(678,238,071)**	**(700,940,526)**
SPECIAL FUND EXPENDITURES						
Forest and Park PILOTs	(89,227)					
Transfer Tax Projects		(94,491,115)				
Bay Restoration Fund Projects		(40,000,000)				
Chesapeake and Atlantic Coastal Bays 2010 Trust 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)
Restructure Employee and Teacher Pensions		(8,000,000)	(4,000,000)			
Real Property Records Improvement Fund		(7,437,000)				
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)				
Abandoned Property Administrative Costs		(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Spinal Cord Injury Research Trust Fund		(500,000)				
Not-for-profit Development Center Program Fund		(125,000)				
Payroll Attachment 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
Riley Fire and Emergency Medical Tuition Reimbursement		340,979	340,979	340,979	340,979	340,979
9-1-1 Trust Fund		1,000,000				
Dangerous Driver Fees for MVA Administration		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
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
County Payments for Property Valuation		34,810,988	34,149,718	34,439,939	34,738,638	35,045,757

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Nursing Facility Quality Assessments		35,500,000	36,920,000	38,396,800	39,932,672	41,529,979
Hospital Assessments for Medicaid		254,050,000	264,651,000	275,464,020	286,493,300	297,743,166
Senior Drug Program for Kidney Disease	2,500,000	3,000,000	3,000,000			
TOTAL SPECIAL FUND EXPENDITURES	**2,410,773**	**142,250,114**	**287,227,938**	**290,534,751**	**318,421,731**	**333,869,991**
FEDERAL FUND EXPENDITURES						
Hospital Graduate Medical Education Assessments		(17,500,000)	(17,850,000)	(18,207,000)	(18,571,140)	(18,942,563)
Eliminate State Employee Merit Increases		(9,732,557)	(19,698,695)	(27,470,882)	(20,655,579)	(21,151,313)
Restructure Employee and Teacher Pensions		(8,000,000)	(4,000,000)			
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**	**(12,648,143)**	**(23,104,578)**	**(26,551,627)**	**(19,395,248)**	**(19,533,458)**
REIMBURSEABLE FUND EXPENDITURES						
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)**
HIGHER EDUCATION EXPENDITURES						
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)**
BOND EXPENDITURES						
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**

Appendix C1
Impact of $150 Reduction in Per Pupil Foundation Amount on Fiscal 2012 State Aid to Education
($ in Thousands)

County	Foundation Program	Compensatory Education	Special Education	Limited English Proficiency	Guaranteed Tax Base	Total Impact on Education Aid
Allegany	($913)	($458)	($113)	($2)	$146	($1,340)
Anne Arundel	(4,186)	(1,159)	(352)	(167)	0	(5,863)
Baltimore City	(8,398)	(6,920)	(1,194)	(286)	1,322	(15,476)
Baltimore	(7,412)	(2,502)	(650)	(260)	0	(10,823)
Calvert	(1,315)	(222)	(89)	(12)	0	(1,637)
Caroline	(527)	(252)	(43)	(22)	62	(783)
Carroll	(2,296)	(282)	(187)	(15)	0	(2,780)
Cecil	(1,405)	(443)	(132)	(14)	24	(1,971)
Charles	(2,363)	(556)	(150)	(19)	27	(3,061)
Dorchester	(388)	(188)	(27)	(6)	0	(610)
Frederick	(3,385)	(613)	(263)	(135)	0	(4,396)
Garrett	(259)	(106)	(22)	(0)	0	(387)
Harford	(3,215)	(704)	(316)	(37)	0	(4,272)
Howard	(3,441)	(457)	(210)	(146)	0	(4,254)
Kent	(68)	(56)	(14)	(4)	0	(142)
Montgomery	(6,508)	(2,364)	(762)	(1,112)	0	(10,745)
Prince George’s	(10,195)	(4,420)	(820)	(1,255)	0	(16,691)
Queen Anne’s	(464)	(94)	(42)	(8)	0	(608)
St. Mary’s	(1,380)	(314)	(104)	(12)	0	(1,810)
Somerset	(270)	(160)	(32)	(9)	27	(445)
Talbot	(96)	(86)	(17)	(11)	0	(210)
Washington	(2,087)	(816)	(164)	(43)	139	(2,971)
Wicomico	(1,434)	(708)	(135)	(49)	189	(2,138)
Worcester	(142)	(150)	(33)	(8)	0	(334)
Unallocated/Statewide	0	0	0	0	0	0
Total	**($62,146)**	**($24,034)**	**($5,868)**	**($3,633)**	**$1,934**	**($93,747)**

Appendix C2
Total Impact on Fiscal 2012 Direct Aid to Local Governments
($ in Thousands)

County	Education Aid	Library Aid	Community College Statewide and Health Manpower Grants	Program Open Space*	Total Impact on Direct Local Aid
Allegany	($1,340)	($53)	$0	($232)	($1,625)
Anne Arundel	(5,863)	(141)	0	(2,509)	(8,513)
Baltimore City	(15,476)	(454)	0	(1,686)	(17,615)
Baltimore	(10,823)	(371)	0	(2,779)	(13,973)
Calvert	(1,637)	(28)	0	(245)	(1,910)
Caroline	(783)	(19)	0	(120)	(922)
Carroll	(2,780)	(72)	0	(557)	(3,409)
Cecil	(1,971)	(51)	0	(297)	(2,319)
Charles	(3,061)	(58)	0	(502)	(3,622)
Dorchester	(610)	(17)	0	(118)	(745)
Frederick	(4,396)	(88)	0	(572)	(5,055)
Garrett	(387)	(9)	0	(136)	(533)
Harford	(4,272)	(109)	0	(858)	(5,239)
Howard	(4,254)	(59)	0	(1,447)	(5,761)
Kent	(142)	(7)	0	(209)	(357)
Montgomery	(10,745)	(194)	0	(3,722)	(14,662)
Prince George's	(16,691)	(401)	0	(3,137)	(20,230)
Queen Anne's	(608)	(10)	0	(155)	(773)
St. Mary's	(1,810)	(42)	0	(277)	(2,129)
Somerset	(445)	(18)	0	(73)	(536)
Talbot	(210)	(7)	0	(161)	(378)
Washington	(2,971)	(82)	0	(439)	(3,492)
Wicomico	(2,138)	(60)	0	(305)	(2,503)
Worcester	(334)	(10)	0	(305)	(648)
Unallocated/Statewide	0	(1,717)	(3,709)	0	(5,426)
Total	**($93,747)**	**($4,078)**	**($3,709)**	**($20,841)**	**($122,375)**

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

Appendix C3
Total Impact on Fiscal 2012 Local Aid
($ in Thousands)

County	Impact on Direct Local Aid	Payments on Behalf of Local Boards: Boards of Education	Payments on Behalf of Local Boards: Libraries	Payments on Behalf of Local Boards: Community Colleges	Total Impact on Local Aid
Allegany	($1,625)	($804)	($109)	($179)	($2,717)
Anne Arundel	(8,513)	(6,194)	(161)	(451)	(15,319)
Baltimore City	(17,615)	(6,956)	(181)	0	(24,752)
Baltimore	(13,973)	(8,424)	(29)	(688)	(23,114)
Calvert	(1,910)	(1,491)	(11)	(40)	(3,451)
Caroline	(922)	(427)	(60)	(27)	(1,435)
Carroll	(3,409)	(2,198)	(29)	(98)	(5,735)
Cecil	(2,319)	(1,315)	(26)	(61)	(3,722)
Charles	(3,622)	(2,156)	(7)	(126)	(5,911)
Dorchester	(745)	(365)	(62)	(24)	(1,197)
Frederick	(5,055)	(3,218)	(8)	(155)	(8,437)
Garrett	(533)	(371)	(97)	(33)	(1,034)
Harford	(5,239)	(2,990)	(128)	(216)	(8,573)
Howard	(5,761)	(5,214)	(5)	(250)	(11,230)
Kent	(357)	(203)	0	(11)	(570)
Montgomery	(14,662)	(15,010)	(164)	(1,068)	(30,903)
Prince George’s	(20,230)	(10,978)	(10)	(519)	(31,736)
Queen Anne’s	(773)	(596)	(23)	(30)	(1,421)
St. Mary’s	(2,129)	(1,307)	(5)	(43)	(3,484)
Somerset	(536)	(259)	(9)	(11)	(815)
Talbot	(378)	(340)	(33)	(24)	(775)
Washington	(3,492)	(1,699)	(17)	(135)	(5,343)
Wicomico	(2,503)	(1,223)	(17)	(69)	(3,812)
Worcester	(648)	(685)	0	(28)	(1,361)
Unallocated/Statewide	(5,426)	0	0	0	(5,426)
Total	**($122,375)**	**($74,422)**	**($1,192)**	**($4,285)**	**($202,273)**

Appendix C4
Total Fiscal 2012 Impact on Counties
($ in Thousands)

County	Reduction in Local Aid	Elimination of Forest and Park PILOTs	Reduction in Aid and Payments to Counties	New Costs for Counties: Property Valuation	New Costs for Counties: Education Costs for Children in State Care	Total Impact
Allegany	($2,717)	($224)	($2,941)	$632	$0	($3,572)
Anne Arundel	(15,319)	(280)	(15,599)	3,295	0	(18,894)
Baltimore City	(24,752)	0	(24,752)	3,551	0	(28,303)
Baltimore	(23,114)	(120)	(23,234)	4,560	0	(27,795)
Calvert	(3,451)	(4)	(3,455)	620	0	(4,076)
Caroline	(1,435)	(36)	(1,471)	245	0	(1,717)
Carroll	(5,735)	(13)	(5,747)	990	0	(6,737)
Cecil	(3,722)	(102)	(3,823)	696	0	(4,519)
Charles	(5,911)	(24)	(5,936)	1,010	0	(6,946)
Dorchester	(1,197)	(21)	(1,218)	334	0	(1,553)
Frederick	(8,437)	(93)	(8,529)	1,298	0	(9,827)
Garrett	(1,034)	(639)	(1,673)	411	0	(2,084)
Harford	(8,573)	(24)	(8,597)	1,467	0	(10,064)
Howard	(11,230)	(39)	(11,269)	1,624	0	(12,892)
Kent	(570)	0	(570)	188	0	(758)
Montgomery	(30,903)	(37)	(30,940)	5,203	0	(36,143)
Prince George's	(31,736)	(23)	(31,760)	4,458	0	(36,218)
Queen Anne's	(1,421)	(3)	(1,424)	360	0	(1,784)
St. Mary's	(3,484)	(81)	(3,565)	700	0	(4,265)
Somerset	(815)	(56)	(871)	249	0	(1,119)
Talbot	(775)	(2)	(777)	294	0	(1,071)
Washington	(5,343)	(13)	(5,356)	914	0	(6,270)
Wicomico	(3,812)	(38)	(3,849)	735	0	(4,584)
Worcester	(1,361)	(504)	(1,865)	978	0	(2,843)
Unallocated/Statewide	(5,426)	0	(5,426)	0	5,200	(10,626)
Total	**($202,273)**	**($2,375)**	**($204,648)**	**$34,811**	**$5,200**	**($244,659)**