# Department of Legislative Services
Maryland General Assembly
2012 Session

## FISCAL AND POLICY NOTE

Senate Bill 152 (The President)(By Request - Administration)
Budget and Taxation

**Budget Reconciliation and Financing Act of 2012**

This Administration bill executes a variety of actions that help to balance the State budget by transferring special fund balances to the general fund, enhancing revenues (including tax and fee increases as well as the elimination of several tax credits and exemptions), redirecting special fund revenues to the general fund, shifting current State costs to counties, adjusting mandated spending levels, and using special funds to cover general fund costs.

The bill takes effect June 1, 2012, except several provisions do not take effect until July 1, 2012. The personal and corporate income tax provisions are applicable to all tax years beginning after December 31, 2011.

## Fiscal Summary

**State Effect:** General fund revenues increase by $2.8 million in FY 2012 and by $389.9 million in FY 2013 due to fund balance transfers, revenue enhancements, and redirected revenues. General fund expenditures decrease by $354.2 million in FY 2013 due to a shift of local employee pension costs to the counties and a variety of other measures. All of the FY 2013 general fund expenditure reductions are included in the proposed fiscal 2013 State budget, and many are contingent on the enactment of this bill. Special and federal funds are also affected. Future year estimates reflect the ongoing effects of the bill. **This bill affects mandated appropriations.**

| ($ in millions) | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|
| GF Revenue | $2.8 | $389.9 | $164.1 | $166.1 | $165.5 |
| SF Revenue | $0 | $12.5 | $21.1 | $21.7 | $22.2 |
| FF Revenue | $0 | ($4.5) | ($4.6) | ($4.7) | ($4.9) |
| GF Expenditure | $0 | ($354.2) | ($429.2) | ($432.2) | ($481.7) |
| SF Expenditure | $0 | ($86.0) | $18.4 | $19.0 | $19.6 |
| FF Expenditure | $0 | ($4.9) | ($4.6) | ($4.7) | ($4.9) |
| Net Effect | $2.8 | $843.1 | $595.9 | $601.0 | $649.9 |

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

**Local Effect:** County costs for local employee pensions increase by $239.3 million in FY 2013; however, the costs are partially offset by additional FY 2013 local income and recordation tax revenues of $159.8 million and by reductions in local expenses of $73.8 million. Compared to FY 2013, county pension costs will be higher in future years, and local income tax revenues will be lower. Although the disparity grant to counties increases by $19.6 million in FY 2013, aggregate direct State aid for local entities decreases by $18.7 million. State aid reductions are expected to continue in future years. **This bill imposes a mandate on a unit 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.

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## Analysis

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

**Background:** In December 2010, the Spending Affordability Committee recommended that the fiscal 2012 State budget reduce the State's $2.0 billion structural deficit by one-third, beginning what was expected to be a three-year process for resolving the State's imbalance between ongoing general fund revenues and expenditures. In its December 2011 report, the committee acknowledged the State's progress toward closing the structural deficit in fiscal 2012 but recognized that Maryland continues to face considerable fiscal challenges, noting that the "budgetary outlook continues to reflect the national recession that began in December 2007" and that federal deficit reduction efforts represent a potential threat to the State's recovery. As expected, the committee recommended that the State continue the three-year plan begun in fiscal 2012 by reducing the projected $1.1 billion fiscal 2013 imbalance by half. This bill combines revenue increases, transfers, and spending reductions that, with the fiscal 2013 State budget bill (SB 150/HB 85), accomplish this goal.

One of the major changes in this bill is the shift of a portion of local employee pension costs to county governments. This proposal reflects a second phase of efforts to ensure the sustainability of the State's pension benefits. The Budget Reconciliation and Financing Act of 2011 (Chapter 397) restructured retirement benefits for State employees and local teachers, partly in response to a report from the Public Employees' and Retirees' Benefit Sustainability Commission, which studied the State's current benefit structure and concluded that it is not sustainable. In addition to restructuring benefits for current and future employees, the commission recommended shifting a portion of the pension costs associated with local school employees to the local school systems, a recommendation that the commission reiterated in its July 2011 final report.

The pension cost-sharing proposal in this bill is similar in scope to the commission's recommendation, but costs are shifted to counties rather than school systems. To help the counties pay the new costs, the bill also makes tax changes that will result in additional county revenues, relieves the counties of some expenses they would otherwise incur, and proposes additional State aid to counties.

**State Fiscal Effect:** Estimates of the fiscal 2012 and 2013 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 $2.8 million in fiscal 2012, mostly due to fund balance transfers. In fiscal 2013, the bill improves the general fund outlook by an additional $744.2 million through a combination of revenue and expenditure actions. Of the $354.2 million decrease in general fund expenditures in fiscal 2013, a net reduction of $10.9 million has been assumed in the proposed fiscal 2013 State budget. The remaining decreases are contingent on actions proposed in this bill. The two-year impact on the general fund sums to $747.0 million.

**Exhibit 1**
**Impact of Budget Reconciliation and Financing Act of 2012 on the General Fund**
**Fiscal 2012 and 2013**
**($ in Millions)**

| | FY 2012 | FY 2013 |
|---|---|---|
| Revenues | | |
| Fund Balance Transfers | $2.8 | $151.3 |
| Revenue Enhancements | | |
| Tax Increases | 0.0 | 240.3 |
| Elimination of Tax Credits and Exemptions | 0.0 | 16.9 |
| Fee Increases | 0.0 | 1.2 |
| Other Revenue Enhancements | 0.0 | 9.3 |
| Redirected Special Fund Revenues | 0.0 | 8.0 |
| Foregone Revenues for Local Relief | 0.0 | (37.1) |
| Revenue Subtotal | $2.8 | $389.9 |
| Expenditures | | |
| Fund Swaps and Cost Shifts | $0.0 | ($279.4) |
| Mandate Relief | 0.0 | (78.8) |
| Cost Control Measures | 0.0 | (15.6) |
| One-time Local Aid Increase | 0.0 | 19.6 |
| Expenditure Subtotal | $0.0 | ($354.2) |
| **General Fund Improvement** | **$2.8** | **$744.2** |

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

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 6). The fiscal 2012 to 2017 State effects for each provision are included with the discussions. A chart identifying and totaling the fiscal impact of separate provisions by fund type is provided in **Appendix B** (pages 104-107).

**Local Fiscal Effect:** County pension costs for local employees increase by a collective $239.3 million in fiscal 2013. The bill also provides for several local revenue enhancements – including an increase in aid from the disparity grant and several tax measures that result in increased county revenues – and eliminates payments that counties and school boards would otherwise be required to make. The net impact on local entities for fiscal 2013, including various adjustments to State aid levels, sums to a negative net impact of $24.4 million in fiscal 2013, as displayed in **Exhibit 2**. Fiscal 2013 effects on local entities are shown by county in **Appendicies C1** through **C6** (pages 108-113).

**Exhibit 2**
**Net Impact of Budget Reconciliation and Financing Act on Local Entities**
**Fiscal 2013**
**($ in Millions)**

| | |
|---|---|
| **Impact on Local Revenues** | |
| Direct State Aid | |
| County and Municipal Governments | ($19.0) |
| Community Colleges | 2.3 |
| Local Health Departments | (1.9) |
| Direct Aid Subtotal | ($18.7) |
| Local Tax Revenues | |
| Recordation Tax on Indemnity Mortgages | 39.7 |
| Income Tax Changes to Adjusted Gross Income* | 120.1 |
| Tax Revenues Subtotal | 159.8 |
| Local Revenues Subtotal | $141.1 |
| **Impact on Local Expenses** | |
| Pension Payments | $239.3 |
| Payments Forgiven | |
| Repayment to Local Income Tax Reserve Account | (36.7) |
| Reimbursement for Pension Costs of Federally Funded School Positions | (37.1) |
| Local Expenditures Subtotal | $165.5 |
| **Total Impact on Local Entities** (Revenues Minus Expenditures) | **($24.4)** |

*Figure represents 18 months of revenues (January 2012 through June 2013) that will be generated for fiscal 2013.
Note: Numbers may not sum to total due to rounding.

In fiscal 2014, county costs for local employee pensions will increase to an estimated $308.3 million due to an increase in the annual amount of savings from the 2011 pension restructuring efforts that will be reinvested in the pension fund. In addition, the county revenues generated through the income tax changes will drop to an estimated $78.8 million due to the collection of just 12 months of revenues, down from 18 months of collections in fiscal 2013. After fiscal 2014, annual increases in pension costs are expected to moderate somewhat, while tax revenues will increase with inflation.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 87 (The Speaker)(By Request - Administration) - Appropriations and Ways and Means.

**Information Source(s):** State Department of Assessments and Taxation; Maryland Department of Agriculture; Baltimore City Community College; Department of Business and Economic Development; Board of Public Works; Governor's Office of Crime Control and Prevention; Department of Budget and Management; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland State Board of Elections; Maryland Department of the Environment; Department of Housing and Community Development; Maryland Higher Education Commission; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Injured Workers' Insurance Fund; Maryland Independent College and University Association; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland State Lottery Agency; Department of Labor, Licensing, and Regulation; Maryland Association of Counties; Department of State Police; Office of Administrative Hearings; Maryland State Retirement Agency; Department of Public Safety and Correctional Services; Public Service Commission; Public School Construction Program; Secretary of State; Maryland Department of Transportation; Maryland State Treasurer's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2012
mc/rhh

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**Baltimore City Community College Fund Balance**

**Provision in the Bill:** Authorizes the transfer of $1,800,000 from the Baltimore City Community College (BCCC) fund balance to the general fund in fiscal 2012.

**Agency:** Baltimore City Community College

**Type of Action:** Fund balance transfer

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $1.8 | $0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $1.8 million in fiscal 2012. An estimated $16.0 million will remain in the BCCC fund balance after the transfer. Future years are not affected.

**Program Description:** The BCCC fund balance is maintained to fund long-term strategic needs.

**Recent History:** The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized the transfer of $2.3 million from the BCCC fund balance to the general fund in fiscal 2012. This provision adds $1.8 million to that amount, for a total fiscal 2012 transfer of $4.1 million.

Since fiscal 2008, BCCC's annual expenditures have totaled between $3.0 million and $8.1 million less than its annual revenues. In fiscal 2011, revenues exceeded expenditures by $7.7 million, and that amount was added to the college's fund balance at the end of the fiscal year. In December 2010, BCCC financed a $7.0 million land purchase using a portion of the accumulated fund balance. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized transfers of $1.4 million and $0.8 million from BCCC's fund balance in fiscal 2010 and 2011, respectively.

**Location of Provision(s) in the Bill:** Section 7 (p. 45)

Analysis prepared by: Richard Harris

**State Police Helicopter Replacement Fund**

**Provision in the Bill:** Authorizes the transfer of $1,000,000 from the State Police Helicopter Replacement Fund (SPHRF) to the general fund in fiscal 2012.

**Agency:** Department of State Police

**Type of Action:** Fund balance transfer

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $1.0 | $0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $1.0 million in fiscal 2012 due to the transfer. Future years are not affected.

**Program Description/Recent History:** Chapter 416 of 2006 established SPHRF as a special, nonlapsing fund within the Department of State Police (DSP). Chapter 416 specified that SPHRF would be capitalized with revenue generated as a result of a $7.50 surcharge assessed to individuals who are convicted of violating certain motor vehicle laws. Pursuant to Chapter 416, funds in SPHRF were to be used only for the procurement of new helicopters, auxiliary helicopter equipment, ground support equipment, and other capital equipment related to helicopters.

The Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $52.7 million from SPHRF to the general fund; replacement funding of $52.5 million in general obligation bonds was included in the fiscal 2010 capital budget to begin the initial purchase of three Medevac helicopters. Chapter 735 of 2010 altered the disposition of the citation surcharge revenue and, as a result, SPHRF no longer receives funds from citations for violations that occurred after October 1, 2010. According to the Comptroller's Office, the cash balance in SPHRF was approximately $1.7 million as of February 1, 2012.

**Location of Provision(s) in the Bill:** Section 7 (pp. 44-45)

Analysis prepared by: Michael Vorgetts

**Transfer Tax Special Fund**

**Provision in the Bill:** Authorizes the transfer of $96,870,649 in transfer tax revenues to the general fund in fiscal 2013. 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 transfers

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $96.9 | $0 | $0 | $0 | $0 |
| SF Exp | 0 | (96.9) | 0 | 0 | 0 | 0 |

**State Effect:** General fund revenues increase by $96.9 million in fiscal 2013 due to the transfers. It is assumed that, without the transfer, special funds would have been used to support the programs in fiscal 2013. Thus, special fund expenditures decrease by $96.9 million in fiscal 2013. The proposed fiscal 2013 State budget reduces special fund expenditures for the Department of Natural Resources (DNR) and the Maryland Department of Agriculture (MDA) by $65.5 million, contingent upon the enactment of legislation crediting transfer tax revenues to the general fund.

Future years are not affected.

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. Although not required by this bill, $65.5 million of the transferred funds are programmed to be fully replaced over a three-year period (fiscal 2013 through 2015) with general obligation (GO) bonds, as provided in the proposed fiscal 2013 capital budget, which includes preauthorization language for the replacement of funds planned for fiscal 2014 and 2015.

The transfers and the replacement schedule are shown by agency in **Exhibit 3**. The transfers include:

- DNR: Program Open Space (POS) State share, $14.7 million; POS local share, $13.6 million; POS capital improvements, $8.2 million; and Rural Legacy, $12.8 million;

- the Maryland Agricultural Land Preservation Foundation (MALPF) within MDA, $16.3 million; and
- $31.4 million in unallocated revenues from fiscal 2013 that partially replaces a transfer of fiscal 2011 revenues that was not completed due to revenue projections that were lower than anticipated.

**Exhibit 3**
**Fiscal 2013 Transfers and Replacement Schedule by Agency**
**($ in Millions)**

| | MDA | DNR | Total |
|---|---|---|---|
| **FY 2013 Transfer** | **$16.25** | **$49.25** | **$65.50** |
| FY 2013 GO Bond Replacement | 5.42 | 21.86 | 27.28 |
| FY 2014 GO Bond Replacement | 5.42 | 13.70 | 19.12 |
| FY 2015 GO Bond Replacement | 5.42 | 13.70 | 19.12 |
| **FY 2013-2015 Total Replacement** | **$16.25** | **$49.25** | **$65.50** |

Numbers may not sum to total due to rounding.
GO: general obligation
Source: Department of Legislative Services

**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 $42.7 million is transferred from these programs (including $13.6 million in funds from the POS local share); however, those funds are programmed to be fully replaced from fiscal 2013 through 2015 with GO bond funds as provided in the proposed fiscal 2013 capital budget (including preauthorizations for fiscal 2014 and 2015). If the fiscal 2013 capital budget, as enacted, provides for this replacement, then some of the funding that otherwise would have been provided to local governments in fiscal 2013 may be delayed, but the total amount provided over the three-year period is not affected. The fiscal 2013 reduction by county resulting from the $13.6 million transfer from the POS local share is shown in **Appendix C3**.

**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 4**, from fiscal 2006 through 2011, a total of $533.0 million in transfer tax revenue and fund balances has been redirected, of which $421.0 million has been or is scheduled to be replaced through fiscal 2014 pursuant to current law.

**Exhibit 4**
**Transfer Tax Transferred to the General Fund and Replacement Schedule under Current Law, Reflecting Actions Taken through the 2011 Session**
**Fiscal 2006-2014**
**($ 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 | 135.6 |
| 2011 | 23.5 | 156.5 |
| 2012 | 94.5 | 46.2 |
| 2013 Est. | 0.0 | 57.5 |
| 2014 Est. | 0.0 | 25.2 |
| **Total** | **$533.0** | **$421.0** |

Note: This exhibit reflects all $70.0 million of POS Acquisition Opportunity Loan of 2009 funding split between fiscal 2010 and 2011. In addition, the exhibit reflects all actions taken up to and including the 2011 session; thus, transfers and replacements authorized in the Budget Reconciliation and Financing Act of 2011 (Chapter 397) and the fiscal 2012 capital budget, including preauthorizations of GO bonds in fiscal 2013 and 2014, are shown even though the proposed fiscal 2013 capital budget deauthorizes those preauthorizations. 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. However, pursuant to general mandate relief authority provided in budget reconciliation legislation, the Governor did not include the $50 million repayment expected in the proposed fiscal 2012 State budget. The proposed fiscal 2013 State budget includes a $50 million repayment; however, this amount is reduced contingent on legislation that authorizes the Governor to level fund programs. Thus, the repayment of that $90 million is not reflected in this exhibit.

Source: Department of Legislative Services

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**Location of Provision(s) in the Bill:** Section 10 (pp. 45-46)

Analysis prepared by: Andrew D. Gray

**Injured Workers' Insurance Fund**

**Provision in the Bill:** Requires the Governor to transfer $50,000,000 of the funds in the Injured Workers' Insurance Fund (IWIF) to the general fund in fiscal 2013 as a resolution of all past and future State claims to its property or assets.

The bill does not repeal the provision of current law (§ 10-127 of the Labor and Employment Article) that gives the General Assembly ultimate authority to dissolve IWIF and distribute its assets to settle all obligations.

**Agency:** Injured Workers' Insurance Fund

**Type of Action:** Fund balance transfer

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | $50.0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $50.0 million in fiscal 2013 due to the transfer. Future years are not affected.

IWIF ended calendar 2010 with a $306.8 million surplus above its $1.44 billion liabilities, an amount $182.4 million above the statutory risk-based capital threshold that would trigger action to boost its surplus. IWIF's Board of Directors tentatively supports the proposed transfer based on assurance that all State claims on its assets are at an end. Confirmation from the State's Insurance Commissioner that, after the $50 million transfer, IWIF will be able to meet its financial obligations in the near future and be considered solvent for insurance purposes is pending.

**Program Description:** IWIF was created by the Maryland General Assembly by statute in 1914 as the State Accident Fund to ensure workers' compensation insurance coverage for all Maryland-based businesses. Since being renamed IWIF in 1990, it acts as an independent provider of workers' compensation insurance and is governed by a board of nine directors, all appointed by the Governor.

**Recent History:** The State has provided financial assistance to IWIF since its inception. The source of the claims on IWIF assets for which this transfer serves as full and final settlement include:

- the entity's start-up capital of $15,000 provided by Chapter 800 of 1914;

- the majority of IWIF's plant assets, particularly four parcels of land on which IWIF's headquarters is located, that were purchased when IWIF was part of the State's Department of Personnel and were last valued by the State Department of Assessments and Taxation at $15.2 million in July 2012;

- the accumulated benefit of being exempt from property and transfer taxes due to IWIF's status as a government entity;

- the benefit of long-time exemption from the premium tax, although this was repealed by the Budget Reconciliation and Financing Act of 2011 (Chapter 397), which included IWIF in § 6-101 of the Insurance Article; this provision was contingent on the enactment of HB 598 or SB 693, which were enacted as Chapters 132 and 276, respectively. Chapters 132 and 276 removed IWIF from any State personnel oversight, and their enactment authorized the Governor to transfer from IWIF to the general fund an amount equal to $6.0 million less the premium tax IWIF paid to the State during fiscal 2012; and

- the longstanding relationship with the State has directed administration of State workers' compensation claims to IWIF without a formal procurement. The activity yields approximately $11 million annually and employs a cost formula that increases State payments to IWIF when the remainder of IWIF's operations slackens, and the State represents a greater share of IWIF's overall book of business.

**Location of Provision(s) in the Bill:** Section 11 (p. 46)

Analysis prepared by: Dylan R. Baker

## Waterway Improvement Fund

**Provision in the Bill:** Authorizes the transfer of $2,611,000 from the Waterway Improvement Fund (WIF) to the general fund in fiscal 2013.

**Agency:** Department of Natural Resources

**Type of Action:** Fund balance transfer

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $2.6 | $0 | $0 | $0 | $0 |
| SF Exp | 0 | (2.6) | 0 | 0 | 0 | 0 |

**State Effect:** General fund revenues increase by $2.6 million in fiscal 2013 due to the transfer. Subsequent to the transfer, at the end of fiscal 2013 the fund balance will be depleted. Although this bill does not require the transferred balance to be replaced with general obligation (GO) bond funding, the proposed fiscal 2013 capital budget includes $7.4 million in GO bonds for the program – to fully replace the $2.6 million transferred under this bill and to provide funding for additional projects due to critical needs. It is assumed that, without the transfer, special fund expenditures would be used to partially support the capital appropriation, thereby reducing the program's reliance on GO bonds. Thus, fiscal 2013 special fund expenditures decrease by $2.6 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 2013 capital budget, less program funding would 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 in the State.

**Recent History:** 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 included $10.2 million in GO bond funding for WIF to replace $6.3 million of the fiscal 2010 transfer and all of the fiscal 2011 transfer.

The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized the transfer of $1.1 million from WIF to the general fund in fiscal 2012, but the fiscal 2012 capital budget includes GO bond funding to replace the transferred funds.

**Location of Provision in the Bill:** Section 9 (p. 45)

Analysis prepared by: Lesley G. Cook

**Maryland Correctional Enterprises Revolving Fund**

**Provision in the Bill:** Authorizes the transfer of $500,000 from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2013.

**Agency:** Department of Public Safety and Correctional Services

**Type of Action:** Fund balance transfer

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $500,000 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $500,000 in fiscal 2013 due to the transfer. Future years are not affected. Following the transfer, the fund balance for the Maryland Correctional Enterprises Revolving Fund will be an estimated $11.1 million at the end of fiscal 2013.

**Program Description:** Maryland Correctional Enterprises (formerly State Use Industries) provides work and job training for inmates incarcerated in the Division of Correction. Maryland Correctional Enterprises produces goods and supplies services at a cost that does not exceed the prevailing average market price. These goods and services are used by local, State, and federal agencies. These goods are also available for use by charitable, civic, educational, fraternal, or religious organizations. Fiscal 2011 revenues for the Maryland Correctional Enterprises totaled $50.6 million, generating $835,000 in net income. Maryland Correctional Enterprises employed 1,855 inmates in the same fiscal year.

**Location of Provision(s) in the Bill:** Section 8 (p.45)

Analysis prepared by: Rebecca J. Ruff

## Spinal Cord Injury Research Trust Fund

**Provision in the Bill:** Authorizes the transfer of $500,000 from the Spinal Cord Injury Research Trust Fund to the general fund in fiscal 2013.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Fund balance transfer

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| 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 2013 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 2013. Future years are not affected.

**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 2011 (Chapter 397) transferred $500,000 from the trust fund to the general fund in fiscal 2012. 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. Prior to that, 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(s) in the Bill:** Section 8 (p. 45)

Analysis prepared by: Jennifer A. Ellick

**State Health Occupations Boards**

**Provisions in the Bill:** Authorize the following transfers to the general fund in fiscal 2013: $241,036 from the State Board of Occupational Therapy Practice; $96,350 from the State Board of Examiners of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists; $79,356 from the State Board of Podiatric Medical Examiners; and $9,788 from the State Board of Morticians and Funeral Directors.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Fund balance transfers

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $426,530 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $426,530 in fiscal 2013 due to the transfers. Future years are not affected. The transfers will leave $119,780 in the State Board of Occupational Therapy Practice Fund; $84,476 in the State Board of Examiners of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists Fund; $81,356 in the State Board of Podiatric Medical Examiners Fund; and $109,822 in the State Board of Morticians and Funeral Directors Fund. Board operations will not be affected.

**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 from various health occupations boards to the general fund totaling $1.2 million in fiscal 2010 and $1.3 million in fiscal 2011. Under Chapter 484, the following funds were transferred in fiscal 2010 from the boards affected by this bill: $11,923 from the State Board of Occupational Therapy Practice Fund; $13,698 from the State Board of Examiners of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists Fund; $7,283 from the State Board of Podiatric Medical Examiners Fund; and $9,566 from the State Board of Morticians and Funeral Directors Fund.

**Location of Provision(s) in the Bill:** Section 8 (p. 45)

Analysis prepared by: Erin K. McMullen

**State Insurance Trust Fund**

**Provision in the Bill:** Authorizes the transfer of $206,000 from the State Insurance Trust Fund to the general fund in fiscal 2013.

**Agency:** Office of the State Treasurer

**Type of Action:** Fund balance transfer

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $206,000 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $206,000 in fiscal 2013 due to the transfer. Future years are not affected. The transfer will reduce the estimated balance on June 30, 2012, to $21.6 million, which is $4.3 million below the actuarial recommended fund balance.

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

**Recent History:** The Budget Reconciliation and Financing Act of 2002 (Chapter 440) transferred $5.0 million in fiscal 2002, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $10.0 million in fiscal 2009, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred $5.2 million in fiscal 2010, and the Budget Reconciliation and Financing Act of 2011 (Chapter 397) transferred $2.0 million from the State Insurance Trust Fund to the general fund in fiscal 2012.

**Location of Provision(s) in the Bill:** Section 8 (p. 45)

Analysis prepared by: Steven D. McCulloch

**Maryland Not-For-Profit Development Center Program Fund**

**Provision in the Bill:** Authorizes the transfer of $111,063 from the Maryland Not-for-Profit Development Center Program Fund to the general fund in fiscal 2013.

**Agency:** Department of Business and Economic Development

**Type of Action:** Fund balance transfer

| Fiscal Impact: | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| *(in dollars)* | | | | | | |
| GF Rev | $0 | $111,063 | $0 | $0 | $0 | $0 |
| SF Exp | 0 | (111,063) | 0 | 0 | 0 | 0 |

**State Effect:** General fund revenues increase by $111,063 in fiscal 2013 due to the transfer. Following the transfer, the Maryland Not-For-Profit Development Center Program Fund will essentially be depleted by the end of fiscal 2013. Without funds to distribute, special fund expenditures decrease by $111,063 in fiscal 2013. Future years are not affected.

**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 Budget Reconciliation and Financing Act of 2011 (Chapter 397) transferred $250,000 and $125,000 from the fund in fiscal 2011 and 2012, respectively. The program has not yet provided any support to nonprofit entities.

**Location of Provision(s) in the Bill:** Section 8 (p. 45)

Analysis prepared by: Jody J. Sprinkle

**Division of State Documents**

**Provision in the Bill:** Authorizes the transfer of $50,000 from the special fund within the Division of State Documents (DSD) to the general fund in fiscal 2013.

**Agency:** Secretary of State

**Type of Action:** Fund balance transfer

| Fiscal Impact: | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| | *(in dollars)* | | | | | |
| GF Rev | $0 | $50,000 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $50,000 in fiscal 2013 due to the transfer. Future years are not affected. After the transfer, the fund balance is projected to total $56,229 at the close of fiscal 2013.

Generally, in recent years, DSD has drawn down its fund balance in order to support its costs. In fiscal 2012 and 2013, special fund revenue is also not anticipated to fully cover DSD's costs. If fund expenditures continue at the current rate, the fund balance could be exhausted in the near future. However, DSD advises that it plans to adjust its expenditures beginning in fiscal 2014 so that its annual costs are fully covered by the annual revenues the fund receives from the sale of its products.

**Program Description:** DSD is a division within the Secretary of State that publishes all State administrative regulations in the *Code of Maryland Regulations* (COMAR) and the *Maryland Register*. There are both print and electronic versions of individual and all COMAR titles available for purchase, including:

- up to $700 for a subscription or $1,400 for a single purchase of a print copy of all COMAR titles; or

- up to $500 for an electronic subscription or $1,000 for an electronic version of all COMAR titles.

There are also print and electronic subscription options for the *Maryland Register*:

- $225 for a single-year print subscription; or

- $190 for a single-user annual eSubscription and $130 for each additional subscription.

Revenue generated from the sale of its products is deposited into a special fund that may be used only for the expenses of production and distribution of its products and to support the operations of DSD.  DSD also receives support from the general fund.

**Location of Provision(s) in the Bill:** Section 8 (p. 45)

Analysis prepared by:  Tonya D. Zimmerman

**Office of Administrative Hearings – Fees for Driver's License Suspensions/Revocations**

**Provision in the Bill:** Increases the maximum filing fee from $125 to $150 for an appeal of a decision by the Motor Vehicle Administration (MVA) to suspend or revoke a driver's license.

**Agency:** Office of Administrative Hearings

**Type of Action:** Revenue enhancement; fee increase

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $41,048 | $497,500 | $502,500 | $507,525 | $512,600 | $517,725 |

**State Effect:** General fund revenues increase by $41,048 in the last month of fiscal 2012 due to the increase in the maximum filing fee that is effective on June 1, 2012. General fund revenues increase by $497,500 in fiscal 2013 and by over $500,000 in subsequent years. The estimate assumes that about 7% of fees are refunded back to applicants in accordance with the agency policy of refunding the filing fee to appellants if the administrative law judge took "no action" after the administrative hearing. The estimate also assumes that caseloads and refunds increase by 1% annually.

While the provision of current law amended by the bill authorizes the Chief Administrative Law Judge to charge a fee *not exceeding* a specified amount, it is expected that the Office of Administrative Hearings (OAH) will charge the maximum filing fee authorized by the bill.

**Program Description:** OAH provides an impartial hearing process for those who want to contest State agency actions. A citizen who disagrees with an action taken by a State agency (for example, a decision by MVA to suspend or revoke a driver's license) may file an appeal with OAH to overturn or modify the action. OAH is an independent agency and its administrative law judges are experienced attorneys licensed by the State of Maryland. Cases are heard at locations throughout the State.

**Recent History:** Until enactment of the Budget Reconciliation and Financing Act of 2004 (Chapter 430), the filing fee for all administrative hearings provided by OAH was $15. Chapter 430 established different maximum fees for administrative hearings based on the type of appeal that was filed. Accordingly, the MVA cases appealing driver's license suspensions or revocations were subject to a maximum filing fee of $125 beginning in fiscal 2005. All other cases were subject to a maximum filing fee of $50.

**Location of Provision(s) in the Bill:** Section 1 (p. 25)

Analysis prepared by: Karen D. Morgan

**Individual Income Tax – Limitation on Itemized Deductions**

**Provisions in the Bill:** Reduce the total amount of income tax deductions claimed by a taxpayer who itemizes by (1) 10% if the taxpayer has Maryland adjusted gross income (MAGI) of between $100,000 and $200,000; and (2) 20% if the taxpayer has MAGI in excess of $200,000.

**Type of Action:** Revenue enhancement; tax increase

| **Fiscal Impact:** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | $129.3 | $82.6 | $83.4 | $84.2 | $85.2 |

**State Effect:** General fund revenues increase by $129.3 million in fiscal 2013, reflecting the revenue impact of one and one-half tax years. Future year revenue estimates reflect annualization, the impacts of applicable federal tax provisions, and projected growth in itemized deductions.

It is estimated that 469,322 tax returns would have paid more taxes in tax year 2010 under the bill, which represents 22% of all taxable resident returns filed in that year. The estimated average tax increase in tax year 2012 is $301, of which $188 is from State income taxes. The State tax incidence is shown by county in **Appendix D1** and is combined with the phase out of personal exemptions in **Appendix D3**.

**Local Effect:** Local income tax revenues increase by $78.4 million in fiscal 2013, $50.1 million in fiscal 2014, $50.5 million in fiscal 2015, $51.0 million in fiscal 2016, and $51.5 million in fiscal 2017. Of the estimated average tax increase of $301 for tax year 2012, $113 is from local income taxes. **Appendix C5** shows the estimated revenue increase by county.

**Program Description:** Taxpayers, other than fiduciaries, are allowed to reduce their MAGI by either a standard deduction or by the total of qualifying itemized deductions. Taxpayers who elect to itemize for federal income tax purposes can deduct the sum of qualifying itemized deductions as shown on the federal return, reduced (1) as required under the Internal Revenue Code (IRC); (2) by any amount deducted under Section 170 of IRC for contributions of a preservation or conservation easement for which a State income tax credit is claimed; (3) by State and local income taxes itemized on the federal return, after subtracting, where applicable and subject to federal phase out, a *pro rata* portion of the reduction to itemized deductions required of certain higher-income taxpayers for federal purposes; and (4) deductions attributable to periods of nonresidence.

**Recent History:** Itemized deductions for State income tax purposes include qualified home mortgage interest, charitable contributions, certain State and local taxes paid, unreimbursed medical expenses, investment interest, casualty and theft losses, wagering losses, unreimbursed employee business expenses, and certain other miscellaneous expenses. In tax year 2008, one-half of all itemized deductions claimed on State tax returns with MAGI in excess of $100,000 were for home mortgage interest, followed by charitable contributions (20%), real estate taxes (16%), and all others (10%).

Prior to 2010, the total amount of allowable itemized deductions (excluding medical expenses, investment interest, and casualty, theft, or wagering losses) was limited under the federal income tax for certain higher-income taxpayers. Federal legislation provided for a phased-in repeal of this limitation beginning in tax year 2006, resulting in a complete repeal for tax years 2010 through 2012. Before the limitation was repealed, the limitation reduced itemized deductions by about 3% for Maryland taxpayers with MAGI of between $100,000 and $200,000 and by about 15% for Maryland taxpayers with MAGI in excess of $200,000.

The repeal of the federal itemized deduction limitation is currently scheduled to expire at the end of tax year 2012, and the limitation would become fully effective again beginning in tax year 2013. The deduction limitation in tax year 2013 is projected to apply to federal adjusted gross incomes above $174,500 ($87,250 for married filing separately).

**Location of Provision(s) in the Bill:** Sections 2 and 21 (pp. 31-32 and 48)

Analysis prepared by: Robert J. Rehrmann

**Individual Income Tax – Reduction/Elimination of Personal Exemptions**

**Provisions in the Bill:** Reduce and eliminate income tax personal exemptions for certain taxpayers.

**Type of Action:** Revenue enhancement; tax increase

| **Fiscal Impact:** | ($ in millions) | | | | | |
|---|---|---|---|---|---|---|
| | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | $66.8 | $46.0 | $46.5 | $47.1 | $47.7 |

**State Effect:** General fund revenues increase by $66.8 million in fiscal 2013, reflecting the revenue impact of one and one-half tax years. Future year revenue estimates reflect annualization and projected growth in impacted personal exemptions.

It is estimated that 293,220 tax returns would have paid more taxes in tax year 2010 under the bill, which represents 12% of all taxable resident returns filed in that year. The estimated average tax increase in tax year 2012 is $276, of which $170 is from State income taxes. The State tax incidence is shown by county in **Appendix D2** and is combined with the limitations on itemized deductions in Appendix D3.

**Local Effect:** Local income tax revenues increase by $41.6 million in fiscal 2013, $28.6 million in fiscal 2014, $28.9 million in fiscal 2015, $29.2 million in fiscal 2016, and $29.6 million in fiscal 2017. Of the estimated average tax increase of $276 in tax year 2012, $106 is from local income taxes. Appendix C5 shows the estimated revenue increase by county.

**Program Description:** An individual for State income tax purposes is entitled to claim the same number of personal exemptions that the individual claimed on the federal income tax return. Nonresidents and part-time residents are required to prorate exemptions based on the percentage of income subject to Maryland tax. **Exhibit 5** shows the current value of the personal exemption by federal adjusted gross income (FAGI) and filing class, and the proposed values under the bill.

**Exhibit 5**
**Personal Exemption Values by FAGI and Filing Class**

| FAGI | Current | Proposed | Change |
|---|---|---|---|
| **Single Taxpayers** | | | |
| $100,000 or less | $3,200 | $3,200 | $0 |
| $100,001-$125,000 | 2,400 | 1,200 | (1,200) |
| $125,001-$150,000 | 1,800 | 0 | (1,800) |
| $150,001-$200,000 | 1,200 | 0 | (1,200) |
| Over $200,000 | 600 | 0 | (600) |
| **Joint Taxpayers** | | | |
| $150,000 or less | $3,200 | $3,200 | $0 |
| $150,001-$175,000 | 2,400 | 1,200 | (1,200) |
| $175,001-$200,000 | 1,800 | 0 | (1,800) |
| $200,001-$250,000 | 1,200 | 0 | (1,200) |
| Over $250,000 | 600 | 0 | (600) |

**Recent History:** Chapter 3 of the 2007 special session increased the regular personal exemption to $3,200 for single filers with FAGI of $100,000 or less ($150,000 or less for joint filers), but it gradually reduced the value of the exemption to $600 as shown in Exhibit 5. Prior to Chapter 3, the value of the personal exemption was $2,400 for all taxpayers.

**Location of Provision(s) in the Bill:** Sections 2 and 21 (pp. 31 and 48)

Analysis prepared by: Robert J. Rehrmann

**Sales and Use Tax – Online Sales Presumption**

**Provision in the Bill:** Specifies that, for purposes of determining whether a person is engaged in the business of an out-of-state vendor under provisions of the State sales and use tax law, a seller is presumed to have an agent, canvasser, representative, salesman, independent contractor, or solicitor operating in the State for the purpose of selling or taking orders, under certain circumstances. As a result, these sellers must collect the State sales and use tax from sales made to Maryland consumers.

**Type of Action:** Revenue enhancement; tax increase

| **Fiscal Impact:** | ***($ in millions)*** **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $20.0 | $20.0 | $20.0 | $20.0 | $20.0 |

**State Effect:** General fund revenues may increase significantly beginning in fiscal 2013. The amount of the increase depends on the number of sellers impacted and the amount of sales made in Maryland. Under one set of assumptions, general fund revenues may increase by approximately $20.0 million annually beginning in fiscal 2013. Any expenditures associated with licensing can be handled with existing budgeted resources.

**Summary of the Provision:** A seller is defined as a person making sales of tangible personal property, a taxable service, or a digital product. For the purpose of a person engaged in the business of an out-of-state vendor, a seller is presumed to have an agent, canvasser, representative, salesman, independent contractor, or solicitor operating in the State for the purpose of selling or taking orders for tangible personal property, a taxable service, or a digital product if (1) the seller enters into an agreement with a resident of the State under which the resident, for a commission or other consideration, directly or indirectly refers potential customers to the seller, whether by a link on an Internet website or otherwise; and (2) the cumulative gross receipts from sales by the seller to customers in the State who are referred to the seller by all residents having an agreement with the seller is greater than $10,000 during the preceding four quarterly periods ending on the last day of February, May, August, and November.

The presumption under the bill may be rebutted by proof that the resident with whom the seller has an agreement did not engage in any solicitation in the State on behalf of the seller that would satisfy the nexus requirement of the U.S. Constitution during the four quarterly periods in question.

The bill may not be construed to narrow the scope of the terms of agent, canvasser, representative, salesman, independent contractor, or solicitor for purposes of any other provision of law.

**Current Law:** Engaging in the business of an out-of-state vendor means to sell or deliver tangible personal property or a taxable service for use in the State. This includes (1) permanently or temporarily maintaining, occupying, or using any office, sales or sample room, or distribution, storage, warehouse, or other place for the sale of tangible personal property or a taxable service directly or indirectly through an agent or subsidiary; (2) having an agent, canvasser, representative, salesman, or solicitor operating in the State for the purpose of delivering, selling, or taking orders for tangible personal property or a taxable service; or (3) entering the State on a regular basis to provide service or repair for tangible personal property.

**Background:** Pursuant to a 1992 U.S. Supreme Court ruling (*Quill Corp. v. North Dakota*), Internet and mail-order retailers are only required to collect sales and use tax from out-of-state customers if the retailer maintained a physical presence (*e.g.*, a store, office, or warehouse) in the customer's home state. In an effort to ensure parity with bricks-and-mortar booksellers, New York passed a law in 2008 providing that affiliate sellers (*e.g.*, independent websites that link to an online retailer's products in return for a percentage of the sales) were included within the definition of "physical presence," thus requiring out-of-state web retailers to collect sales taxes from buyers in the state if the retailers have New York-based representatives referring businesses to them. This law has been upheld by the Appellate Division of the New York Supreme Court, but it has been remanded back to the trial court.

The New York State Department of Taxation and Finance reports collecting over $170 million in sales tax revenues from approximately 35 online sellers since the law was enacted, including approximately $100 million in fiscal 2011.

In 2011, California also enacted a law creating nexus through affiliate sales. As a result, Amazon.com ended its affiliate relationships in the state and undertook a campaign to repeal the law by voter referendum. A compromise was later reached under which Amazon.com agreed to begin collecting sales tax on sales in California in September 2012, unless federal legislation addressing the taxation of remote sales is enacted before that point. Amazon.com has ceased its pursuit of a referendum and has reestablished relationships with affiliates in the state.

A number of other states, including Arkansas, Illinois, North Carolina, and Rhode Island, have passed legislation similar to that passed in New York and California. As a result, Amazon.com and Overstock.com, generally the largest companies affected, have ended their relationships with affiliates in those states in order to avoid a determination that nexus exists.

In 2010, Colorado took a different approach to the online sales tax collection issue. Rather than attempting to define nexus through affiliate relationships, Colorado passed legislation intended to improve enforcement of the state's use tax. The Colorado law requires all vendors who do not collect the sales tax and who have over $100,000 of sales into Colorado in the prior calendar year to provide an annual report to the state listing all customers and purchases for the year. In addition, these remote sellers are obligated to notify their customers that the customers are required to remit use tax on their purchases. Colorado estimated a revenue increase of approximately $12.5 million in fiscal 2012 due to this legislation.

On February 22, 2012, it was announced that Virginia and Amazon.com had reached an agreement whereby Amazon.com will begin collecting sales taxes for sales made to Virginia residents on September 1, 2013. Earlier reports had suggested that the Governor of Virginia was pursuing a deal with Amazon.com whereby the company would locate two warehouses in the state and, in exchange, would not be required to collect the sales tax for products sold to state residents.

**State Fiscal Effect:** The bill requires out-of-state retailers making online sales to be licensed by the Comptroller and to collect sales taxes from buyers in the State if the retailers have Maryland-based representatives referring businesses to them. Under an affiliate program, website owners can provide links to products of larger retailers, such as Amazon.com and Overstock.com, in exchange for a commission based on sales produced by customers who "click through" using a link from the affiliates' website.

As a result, sales and use tax revenues may increase significantly beginning in fiscal 2013. The amount of the increase depends on the amount of sales made by online retailers who have affiliate agreements with Maryland businesses. However, to the extent that sellers such as Amazon.com and Overstock.com eliminate relationships with Maryland affiliates, State revenues will be less than estimated. In addition, to the extent the provisions of the bill are challenged in court (as was done in New York), the timing of when revenues begin to be collected will be affected.

Based on New York's reported sales tax collections from sellers with affiliate programs, it is estimated that State general fund revenues may increase by approximately $20.0 million annually beginning in fiscal 2013. The estimate assumes a commensurate level of sales from these companies in Maryland, adjustments for state populations and tax rates, as well as a 6% reduction in sales due to the imposition of the tax on products sold by these companies.

**Small Business Effect:** Some small businesses could be negatively affected if the change in the law results in Internet sellers altering or terminating affiliate agreements with Maryland retailers. Small Maryland retailers that are not affiliated with large

Internet sellers may realize increased sales if consumers are not able to avoid the State sales tax by shopping online and therefore have less incentive to make online purchases.

The 2009 Statistics of U.S. Businesses reports that there are 10,227 retail firms in Maryland with fewer than 20 employees and 877 retail firms with between 20 and 99 employees.

**Recent History:** SB 824 of 2010 and SB 1071 of 2009 received hearings in the Senate Budget and Taxation Committee, but no further action was taken on either bill.

**Location of Provision(s) in the Bill:** Sections 3 and 22 (pp. 42-43 and 48)

Analysis prepared by: Michael Sanelli

**Other Tobacco Products Tax**

**Provisions in the Bill:** Increase the other tobacco product (OTP) tax rate from 15% to 70% of the wholesale price effective July 1, 2012. The bill also imposes a floor tax on any person possessing OTPs for sale at the start of business on July 1, 2012. Individuals are required to compile and file an inventory held at the close of business on June 30, 2012, and remit by October 15, 2012, any additional tax that is due.

**Type of Action:** Revenue enhancement; tax increase

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $18.7 | $17.8 | $18.3 | $18.8 | $19.4 |

**State Effect:** General fund revenues increase by $18.7 million in fiscal 2013, which reflects increased OTP tax revenues and the floor tax revenues, net of decreased sales tax revenues due to an expected decrease in consumption. Future revenue increases reflect both OTP and sales tax impacts. The estimates are based on an examination of the additional OTP revenues generated through tax increases in 11 other states in fiscal 2006 through 2010, adjusted for Maryland. Based on other states' experiences, the estimates assume a significant reduction in the taxable consumption of OTPs following the tax increase.

**Current Law/Background:** Chapter 121 of 1999 established an OTP tax equal to 15% of the wholesale price. OTP tax revenues are projected to total $14.2 million in fiscal 2013. About two-thirds of OTP tax revenues come from sales of cigars; 10% from moist snuff tobacco; and the remaining amount from chewing tobacco, roll-your-own, and pipe tobacco. In addition, the State sales tax of 6% is imposed on the final retail price of OTPs.

**Exhibit 6** shows the OTP tax rates imposed in Maryland's surrounding states as of January 1, 2012, and the tax rate for moist snuff tobacco in those states that provide for a separate tax.

**Exhibit 6**
**OTP and Moist Snuff Tobacco Tax Rates in Surrounding States**

| State | OTP Tax Rate | Moist Snuff Tobacco (per Ounce) |
|---|---|---|
| Delaware | 15% | $0.54 |
| District of Columbia | 12%* | 0.75 |
| Pennsylvania | None | |
| Virginia | 10%** | 0.18 |
| West Virginia | 7% | |
| Maryland | 15% | |

*Applied to retail price.

**Applied to manufacturing price, chewing tobacco taxed per unit.

Source: Federation of Tax Administrators

**Location of Provision(s) in the Bill:** Sections 3, 14, and 22 (pp. 43, 46, and 48)

Analysis prepared by: Robert J. Rehrmann

**Lottery Agent Sales Commission**

**Provision in the Bill:** Decreases lottery agent commissions from 5.5% to 5.0% of gross sales in fiscal 2013 and in subsequent years.

**Agency:** State Lottery Agency

**Type of Action:** Revenue enhancement

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $8.8 | $9.0 | $9.2 | $9.5 | $9.7 |

**State Effect:** General fund revenues increase by $8.8 million in fiscal 2013 due to the reduction in lottery agent commissions. The commissions were set to increase from 5% to 5.5% beginning in fiscal 2013. The out-year increases in revenue reflect an assumed 2.5% annual increase in State lottery sales.

**Program Description:** In exchange for selling State lottery products, licensed agents earn a commission, currently set at 5.0% of gross lottery sales.

**Recent History:** Chapter 444 of 2005 increased lottery agent commissions from 5.0% to 5.5%, effective July 1, 2006. However, as part of a cost containment initiative, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced that commission back to 5.0% for fiscal 2010, 2011, and 2012. The commission is currently scheduled to return to 5.5% in fiscal 2013.

**Location of Provision(s) in the Bill:** Section 1 (p. 24)

Analysis prepared by: Jody J. Sprinkle

**Corporate Income Tax – Credit for Telecommunications Property Taxes**

**Provision in the Bill:** Repeals the corporate income tax credit for 60% of State and local property taxes paid on certain telecommunications property.

**Type of Action:** Revenue enhancement; tax credit elimination; fund swap

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | $7.4 | $7.7 | $7.9 | $8.3 | $8.6 |
| SF Rev | 0 | 2.2 | 2.2 | 2.3 | 2.2 | 2.2 |
| GF Exp | 0 | (0.6) | (0.6) | (0.6) | (0.6) | (0.6) |
| SF Exp | 0 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 |

**State Effect:** General fund revenues increase by a total of $7.4 million in fiscal 2013 due to the repeal of the credit. Transportation Trust Fund (TTF) revenues increase by $1.6 million, and Higher Education Investment Fund (HEIF) revenues increase by $575,400 in fiscal 2013. The additional HEIF revenues will be spent in support of State-operated institutions of higher education to partially backfill for a $630,000 general fund expenditure reduction that is contingent on the enactment of this bill. In addition, $152,300 in local highway user revenues from the additional TTF revenues will be distributed to counties and municipalities in fiscal 2013.

Future years reflect 3% annual growth in the revenues, ongoing reductions to general fund spending in proportion to the additional HEIF revenues, and approximately $150,000 per year in additional special fund spending for local highway user revenues.

**Local Effect:** As a result of the repeal of the credit, highway user revenues increase by $158,688 in fiscal 2013, $156,900 in fiscal 2014, $161,600 in fiscal 2015, $146,800 in fiscal 2016, and $151,200 in fiscal 2017.

**Program Description:** The Telecommunications Tax Reform Act of 1997 (Chapter 629) subjected income derived from a public utility's telecommunications business to the corporate income tax and created a credit against the corporate income tax for certain State and local property taxes paid by a public utility. Cables, lines, poles, and towers of telecommunications companies were also reclassified as operating personal property.

A telecommunications company that is a public utility is allowed a credit for a portion of the total property taxes paid by the company on its operating real property in Maryland, other than operating land, used in its telecommunications business. The credit may only be claimed against the corporate income tax. The credit is 60% of the total State and local property taxes paid by the public utility on the specified property. The credit cannot exceed the State income tax imposed in the year, and any unused amount may not be carried forward to any future tax years.

**Location of Provision(s) in the Bill:** Sections 4 and 21 (pp. 44 and 48)

Analysis prepared by: Robert J. Rehrmann

**Sales and Use Tax – Digital Products**

**Provision in the Bill:** Imposes the State's 6% sales and use tax rate on the sale of specified digital products and services.

Digital products are defined as a product that is obtained electronically by the buyer and delivered by means other than tangible storage media through the use of technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

The definition of digital products includes (1) a work that results from the fixation of a series of sounds that are transferred electronically, including prerecorded or live music or performances, readings of books or other written materials, speeches, and audio greeting cards sent by electronic mail; (2) a digitized sound file, such as a ring tone, that is downloaded onto a device and may be used to alert the user of the device with respect to a communication; (3) a series of related images that, when shown in succession, impart an impression of motion, together with any accompanying sounds, that are transferred electronically, including motion pictures, music videos, news and entertainment programs, live events, video greeting cards sent by electronic mail, and video or electronic games; (4) a book, generally known as a "digital book" or "e-book," that is transferred electronically; and (5) a newspaper, magazine, periodical, chat room discussion, weblog, or other similar product that is transferred electronically.

**Type of Action:** Revenue enhancement; tax increase

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | $5.5 | $5.6 | $5.8 | $6.0 | $6.1 |

**State Effect:** General fund revenues may increase significantly beginning in fiscal 2013. The amount of the increase depends on the number of sellers and the amount of digital product sales in Maryland. Under one set of assumptions, general fund revenues may increase by approximately $5.5 million in fiscal 2013 and by $6.1 million in fiscal 2017. Any expenditures associated with licensing can be handled within existing budgeted resources.

**Background:** Digital products, including software, music, videos or other electronic files, are generally not taxable in Maryland if they are downloaded over the Internet and not sold via some form of tangible medium. The *CCH Multistate Tax Guide* indicates that 33 of the 46 states with a state sales tax, as well as the District of Columbia, tax downloaded computer software. In addition, as shown in **Exhibit 7**, 23 states and the District of Columbia impose sales taxes on the sale of digital books, music, movies, or software.

**Exhibit 7**
**States that Tax Digital Products**

| | | |
|---|---|---|
| Alabama | Kentucky | South Dakota |
| Arizona | Louisiana | Tennessee |
| Colorado | Maine | Texas |
| Connecticut | Mississippi | Utah |
| District of Columbia | Nebraska | Vermont |
| Hawaii | New Jersey | Washington |
| Idaho | New Mexico | Wisconsin |
| Indiana | North Carolina | Wyoming |

Source: CCH

**State Fiscal Effect:** In the fall of 2011, the Comptroller issued a report examining the estimated State sales tax revenue currently not collected from remote sales, including from the sale of digital products. That report estimates that sales of digital goods in Maryland will total approximately $200 million in fiscal 2013; however, since many sellers of digital products do not have nexus with the State, the Comptroller estimated that the amount of sales from which sales tax would be collected would be significantly less. As a result, the Comptroller estimated that sales and use tax revenue from sales of digital products would be approximately $4.7 million in fiscal 2013. Under the bill, sellers with sales tax nexus to Maryland will be required to collect sales taxes on their sales of digital products made in the State. However, due to lack of nexus, some sellers of digital products will still not be required to collect Maryland sales taxes.

Imposing the sales tax on the sale of digital products may increase sales and use tax revenues significantly beginning in fiscal 2013. The amount of the increase depends on the amount of sales of digital products made by online sellers who have nexus in Maryland.

Tennessee has imposed state and local sales taxes on the sale of digital goods since January 1, 2009. The definition of digital products used in Tennessee is patterned after the definition contained in the Streamlined Sales Tax Agreement, and does not include products such as electronic greeting cards and some downloaded games. In Tennessee, digital products are subject to the state sales tax rate of 7.0% and a 2.5% local sales tax rate. Tennessee has a separate line item on its sales and use tax return for digital products so the state is able to determine the amount of tax collected from the sale of these products. Tennessee reports collecting $10.1 million in sales and use taxes from the sale of digital products in fiscal 2010, the first year the tax was imposed.

Based on the amount of sales taxes collected in Tennessee from sales of specified digital products, and after making adjustments for Maryland's population and the 6% sales and use tax rate, as well as a 6% reduction in sales due to the imposition of the tax on digital products, it is estimated that general fund revenues may increase by approximately $5.5 million in fiscal 2013. Assuming 3% annual growth in sales, revenues may increase by $6.1 million by fiscal 2017. These estimates may somewhat understate the revenue effect of these provisions since not all of the products defined as digital products under the bill are taxed in Tennessee as digital products. Revenues will also be affected to the extent sales of digital products in Maryland differ significantly from sales in Tennessee.

**Location of Provision(s) in the Bill:** Sections 3 and 22 (pp. 33-42, 48)

Analysis prepared by: Michael Sanelli

**Maryland-mined Coal Tax Credit**

**Provision in the Bill:** Accelerates the termination date for the Maryland-mined coal tax credit from tax year 2021 to tax year 2012.

**Type of Action:** Revenue enhancement; tax credit elimination

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $4.5 | $6.0 | $6.0 | $3.0 | $3.0 |

**State Effect:** General fund revenues increase by $4.5 million in fiscal 2013. Future year revenue increases reflect the estimated annual amount of credits that can be claimed under current law. 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 annual amount of credits that can be claimed through tax year 2020, and also terminated the credit beginning in tax year 2021. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced these amounts in tax years 2009 through 2012; the maximum amount of credits that can be claimed in tax year 2012 is $4.5 million. A total of $6.0 million annually may be claimed in tax years 2013 and 2014, and $3.0 million annually in tax years 2015 to 2020.

**Location of Provision(s) in the Bill:** Sections 4 and 21 (pp. 44 and 48)

Analysis prepared by: Robert J. Rehrmann

**Sales and Use Tax – Exemption for Precious Metal Bullion and Coins**

**Provision in the Bill:** Repeals the State sales and use tax exemption for the sale of precious metal bullion or coins with a sale price of greater than $1,000.

**Type of Action:** Revenue enhancement; tax exemption elimination

| **Fiscal Impact:** | ($ in millions) **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $2.9 | $2.9 | $2.9 | $2.9 | $2.9 |

**State Effect:** General fund revenues increase by an estimated $2.9 million annually beginning in fiscal 2013 due to the elimination of the tax exemption.

There is little or no data currently available on the sale of gold and other precious metals in the State upon which to base a reliable estimate of the revenue impact of repealing this exemption. Annual coin shows take place in the State, but the number and amount of transactions that occur at each show are unknown.

The Department of Budget and Management's *Maryland Tax Expenditures Report* for fiscal 2012 estimates that the current sales and use tax exemption for sales of precious metal bullion or coins will reduce general fund revenues by approximately $2.9 million in fiscal 2012. The estimate for this exemption was revised upward from past tax expenditure reports to account for higher gold prices in recent years. Data from the National Mining Association indicate that the average price of gold has increased from $444.74 per ounce in 2005 to $1,571.52 per ounce in 2011, so it is reasonable to assume the cost of the exemption has increased over time. However, the actual effect on State revenues depends on the number of transactions that occur each year and the value of these transactions. To the extent the volume of sales and the prices of various precious metals vary over time, general fund revenues will be affected accordingly.

**Small Business Effect:** Vendors that deal in the sale of precious metal bullion or coins may realize fewer transactions as a result of the change. These vendors may also incur some expenditure increases from having to collect and remit the sales tax on these transactions.

**Program Description:** The sale of precious metal bullion or coins, if the sale price is greater than $1,000, is exempt from the State sales and use tax. The tax policies in surrounding states are shown in **Exhibit 8**.

**Exhibit 8**
**Tax Policies for Precious Metal Bullion and Coins**

| State | Exempt Status |
|---|---|
| Delaware | No sales tax. |
| District of Columbia | Taxable. |
| New Jersey | Retail sales of gold coins and gold and silver bullion, priced according to their metal content, are sales of tangible personal property subject to the sales and use tax. When used as an investment in precious metals they are also taxable. However, they are not taxable when used as a medium of exchange. |
| North Carolina | Taxable, except for casual or isolated sale of coins. |
| Pennsylvania | Sales at retail or use of investment metal bullion and investment coins are tax exempt. Coins included within jewelry and commemorative medallions are taxable. |
| Virginia | Sales of coins, gold, silver bars, or other tangible personal property by dealers are subject to tax. |
| West Virginia | Taxable. |

Source: CCH

**Recent History:** HB 206 of 2011, which would have eliminated this tax exemption, received a hearing in the House Ways and Means Committee, but no further action was taken.

**Location of Provision(s) in the Bill:** Sections 5 and 22 (pp. 44 and 48)

Analysis prepared by: Michael Sanelli

**Sales and Use Tax – Exemption for the Resale of Manufactured Homes**

**Provision in the Bill:** Repeals the sales and use tax exemption for the resale of specified manufactured homes. A manufactured home is defined as a structure that is (1) transportable in one or more sections; (2) 8 body feet or more in width and 30 body feet or more in length; (3) built on a permanent chassis; and (4) designed to be used as a dwelling, with or without a permanent foundation, when connected to the required utilities. A manufactured home includes the plumbing, heating, air conditioning, and electrical systems contained in the structure.

**Type of Action:** Revenue enhancement; tax exemption elimination

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | $1.4 | $1.4 | $1.4 | $1.4 | $1.4 |

**State Effect:** General fund revenues increase by approximately $1.4 million annually beginning in fiscal 2013 due to the elimination of the tax exemption for resale of manufactured homes. This estimate is based on the Department of Budget and Management's *Maryland Tax Expenditures Report* for fiscal 2012, which projects that the current exemption for used manufactured homes will reduce general fund revenues by approximately $1.4 million in fiscal 2012. Manufactured home prices can vary from $20,000 to over $100,000. Using an average resale price of $60,000, the estimate assumes that 389 used manufactured homes are sold in the State each year. To the extent that actual sales prices and the number of homes resold vary from the projection, the effect on general fund revenues will vary accordingly.

**Program Description:** Except for the first retail sale of a manufactured home, the sale of a manufactured home is exempt from the State sales and use tax. Under current law, the sales and use tax is imposed on the first sale of a manufactured home at a rate of 6% applied to 60% of the taxable price. The tax policies for mobile homes in surrounding states are shown in **Exhibit 9**.

**Exhibit 9**
**Tax Policies for Mobile Homes**

| State | Exempt Status |
|---|---|
| Delaware | No sales tax. |
| New Jersey | The first sale of a manufactured home is subject to the sales tax; used mobile homes are not subject to tax. |
| North Carolina | A manufactured home sold at retail is taxed at a 2% rate, with a maximum tax of $300 per article; each section that is transported separately is a separate article. |
| Pennsylvania | A builder selling mobile and manufactured homes is required to pay the sales tax at the time of sale; the tax is imposed on 60% of the prebuilt housing manufacturer's selling price. Sales of used homes are not taxable. |
| Virginia | Mobile homes and travel trailers are exempt from the sales and use tax; however, the sale is subject to a special motor vehicle sales and use tax of 3%. |
| West Virginia | The sales and use tax rate of 6% is applicable to mobile homes on 50% of the sales price or value of a mobile home that is used as a principal residence. Otherwise, the sales tax applies to the full sales price. |

Source: CCH

**Location of Provisions in the Bill:** Sections 5 and 22 (pp. 44 and 48)

Analysis prepared by: Michael Sanelli

**Vital Records Fees**

**Provision in the Bill:** Increases, from $12 to $24, the current fee for each of the following: (1) a copy of a certificate of fetal death, marriage, or birth resulting in stillbirth; (2) the first copy of a death certificate; (3) a search for, or change to, a certificate of death, fetal death, or marriage; and (4) the processing of an adoption or legitimation.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Revenue enhancement; fee increase

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $738,540 | $760,692 | $783,516 | $807,024 | $831,240 |

**State Effect:** General fund revenues increase by $738,540 in fiscal 2013 due to the fee increase. Most of this increase is derived from a doubling of the fee for the first death certificate that is issued. Future year revenue estimates assume 3% annual increases in applications.

**Program Description:** The Division of Vital Records in the Department of Health and Mental Hygiene maintains a statewide system for registering, indexing, filing, and protecting all records of birth, death, fetal death, marriage and divorce, adoption, and legitimation and adjudication of paternity for events occurring in Maryland. Fees for vital records are set in statute and deposited to the general fund. Local health departments may also process and issue a certificate of birth or death or a report that a search of the files was made and the requested record is not on file.

**Recent History:** The Budget Reconciliation and Financing Act of 2011 (Chapter 397) increased, from $12 to $24, the fee for a copy of, search for, or change to a birth certificate. Previously, fees associated with vital records had not changed since 2003. Maryland’s fees for death certificates rank among the lower 50% of death certificate fees nationwide.

**Location of Provision(s) in the Bill:** Section 1 (pp. 18-19)

Analysis prepared by: Jennifer A. Ellick

**Sales and Use Tax – Exemption for Cylinder Demurrage Charges**

**Provision in the Bill:** Repeals the State sales and use tax exemption for demurrage charges in the nature of a penalty for failure to return a gas cylinder within a designated time period.

**Type of Action:** Revenue enhancement; tax exemption elimination

| **Fiscal Impact:** | *(in dollars)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $700,000 | $700,000 | $700,000 | $700,000 | $700,000 |

**State Effect:** General fund revenues increase by approximately $700,000 annually beginning in fiscal 2013 due to the elimination of the tax exemption.

There is very little data available upon which to base a reliable estimate of the revenue impact of repealing this exemption. As the exemption was first enacted in 1965, it is possible that the market structure regarding fees and charges for compressed gas cylinders has changed over time. For example, some companies that sell propane tanks have partnerships with retailers to host propane tank exchanges whereby customers buy a full propane tank and exchange the empty tank for a new tank when needed.

The Department of Budget and Management's *Maryland Tax Expenditures Report* for fiscal 2012 estimates that the exemption reduces general fund revenues by approximately $700,000 per year. Repealing the exemption, therefore, can be expected to increase annual general fund revenues by this amount. However, to the extent that the market structure related to the sale and use of compressed gas cylinders has changed over time, this amount will vary accordingly. Industry representatives estimate that as much as 80% of the industry now uses a rental method for selling compressed gas in cylinders as opposed to a demurrage method.

**Program Description:** The State sales and use tax does not apply to any demurrage charges in the nature of a penalty for failure to return a gas cylinder within a designated time period. A person failing to return a gas cylinder (tank) on time can be subject to a late fee, and that late fee is not subject to the sales tax.

A company selling compressed gas in cylinders typically sells the gas via two methods: (1) a rental method in which the company rents the cylinders owned by the company to the customer; or (2) a demurrage method by which the company provides the cylinders to the customer for free and then imposes a demurrage charge. For gas that is sold in rented cylinders, the customer pays for the compressed gas and a cylinder rental charge upon which the sales tax is imposed. For gas that is sold in cylinders via the demurrage method, however, the customer typically receives an invoice for the price of the compressed gas as well as a demurrage invoice for the cylinders. If the customer retains the company's cylinders at the end of a specified invoice period (typically a month), the customer is charged a specified demurrage fee per cylinder. As noted above, as much as 80% of the industry is using the rental method.

**Location of Provision(s) in the Bill:** Sections 5 and 22 (pp. 44 and 48)

Analysis prepared by: Michael Sanelli

**Abandoned Property Notification Procedures**

**Provisions in the Bill:** Repeal 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 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| 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 2013, special fund expenditures decrease by $500,000 annually due to the modification of the newspaper advertising requirement. The proposed fiscal 2013 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:** These provisions were included in the proposed Budget Reconciliation and Financing Act of 2011 but were removed from the bill prior to final passage.

**Location of Provision(s) in the Bill:** Section 1 (pp. 5-7)

Analysis prepared by: Michael Vorgetts

**Chesapeake and Atlantic Coastal Bays 2010 Trust Fund**

**Provision in the Bill:** Redirects an additional $8,000,000 of the revenues from the motor fuel tax from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2013.

**Agency:** Department of Natural Resources

**Type of Action:** Dedicated revenue relief

| **Fiscal Impact:** | ($ in millions) FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $8.0 | $0 | 0 | 0 | 0 |
| SF Rev | 0 | (8.0) | 0 | 0 | 0 | 0 |
| SF Exp | 0 | (8.0) | 0 | 0 | 0 | 0 |

**State Effect:** General fund revenues increase by $8.0 million in fiscal 2013, with a corresponding decrease in special fund revenues and expenditures, due to the redirection of additional motor fuel tax revenues in fiscal 2013. The proposed fiscal 2013 State budget includes $33.0 million in special funds for the trust fund in the Department of Natural Resources' (DNR) budget, but that amount is reduced by $8.0 million contingent on the enactment of legislation to allocate the trust fund revenues to the general fund. There is no impact after fiscal 2013.

**Local Effect:** Local government revenues from the 2010 trust fund may decrease by up to $8.0 million in fiscal 2013 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 2012, local governments received approximately 31.7% of the total amount spent from the trust fund over the four-year period. No special fund appropriation from the trust fund is provided to local governments in the proposed fiscal 2013 State budget, however, and DNR advises that, in the absence of the bill, it is likely that close to all of the transferred funds would have been provided to local governments.

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 (ranging from $38.2 million in fiscal 2009 to an estimated $45.1 million in fiscal 2013). In addition, recent budget reconciliation legislation redirected funds from the trust fund to the general fund. **Exhibit 10** provides a summary of the trust fund history through fiscal 2012.

**Exhibit 10**
**2010 Trust Fund History**
**Fiscal 2009-2012**
**($ in Millions)**

| **Appropriation** | **FY 2009** | **FY 2010** | **FY 2011** | **FY 2012 (Est.)** |
|---|---|---|---|---|
| Opening Balance | $0.00 | $3.63 | $5.84 | $3.23 |
| Revenue | $38.23 | $41.50 | $43.10 | $43.50 |
| **Transfers to the General Fund** | | | | |
| Chapter 414 of 2008 | -$25.00 | | | |
| Chapter 487 of 2009 | | -$21.49 | | |
| Chapter 484 of 2010 | | -10.50 | -$22.10 | |
| Chapter 397 of 2011 | | | -0.97 | -$20.17 |
| *Subtotal General Fund Transfers* | *-$25.00* | *-$31.99* | *-$23.07* | *-$20.17* |
| **Available Revenue** | **$13.23** | **$13.14** | **$25.87** | **$26.56** |
| **Spending** | | | | |
| Maryland Dept. of Agriculture | -$6.93 | -$3.92 | -$12.34 | -$13.18 |
| Maryland Dept. of the Environment | -1.83 | -1.65 | -2.10 | 0.00 |
| Dept. of Natural Resources | -0.84 | -1.73 | -8.20 | -9.73 |
| *Subtotal Agency Spending* | *-$9.60* | *-$7.30* | *-$22.64* | *-$22.91* |
| **Available Balance** | **$3.63** | **$5.84** | **$3.23** | **$3.65** |

Note: Under transfers, the $10.5 million transferred by Chapter 484 of 2010 included $8.0 million in fiscal 2010 revenues and $2.5 million in fund balance. Numbers may not sum due to rounding.
Source: Department of Legislative Services

The Budget Reconciliation and Financing Act of 2011 (Chapter 397) redirects revenues from the trust fund to the general fund for fiscal 2012 through 2016, as shown in **Exhibit 11**. This bill redirects an *additional* $8.0 million in motor fuel tax revenues to the general fund in fiscal 2013, resulting in a total of $23.1 million to be redirected from the trust fund in fiscal 2013. As a result of Chapter 397 and this legislation, and based on expected revenues and expenditures, a negligible fund balance is anticipated for the end of fiscal 2013.

**Exhibit 11**
**2010 Trust Fund Transfers to the General Fund under Current Law**
**Fiscal 2012-2016**
**($ in Millions)**

| Fiscal | Motor Fuel Tax | Short-term Vehicle Rentals Sales and Use Tax | Total |
|---|---|---|---|
| 2012 | $5.0 | $15.2 | $20.2 |
| 2013 | 5.0 | 10.1 | 15.1 |
| 2014 | 5.0 | 6.5 | 11.5 |
| 2015 | 5.0 | 3.0 | 8.0 |
| 2016 | 4.6 | 0.0 | 4.6 |

Source: Department of Legislative Services

Although this bill reduces funding for the trust fund in fiscal 2013, the proposed fiscal 2013 capital budget includes funding for the trust fund to accelerate progress toward the State's nutrient reduction goals. Specifically, the proposed fiscal 2013 capital budget includes $27.8 million in general obligation bond funding for the trust fund to implement 63 stormwater management projects in 13 subdivisions throughout the State.

**Location of Provision in the Bill:** Section 3 (pp. 32-33)

Analysis prepared by: Lesley G. Cook

**Local Employee Pension Cost Share**

**Provision in the Bill:** Requires the counties (including Baltimore City) to pay a share of pension costs for local school, library, and community college personnel who are members of the Teachers' Retirement System or Teachers' Pension System. The amount each county is required to pay in fiscal 2013 is set in the bill and totals $239,317,195.

Beginning in fiscal 2014, the Board of Trustees for the State Retirement and Pension System will determine the amounts payable by each county. The total amount paid by counties will equal one-half of the combined employer costs for pensions and Social Security, less the employer Social Security contribution (since that is currently being paid by the local school boards, libraries, and community colleges). Pension costs to be shared with the counties include 50% of the reinvested savings from the 2011 pension restructuring that is attributable to local employees.

Annual payments are due from the counties in four equal installments, and counties that are delinquent with payments will be charged interest.

**Agencies:** Maryland State Department of Education; Maryland Higher Education Commission

**Type of Action:** Cost shift

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($219.7) | ($308.3) | ($333.5) | ($349.2) | ($358.4) |

**State Effect:** General fund expenditures decrease by a net of $219.7 million in fiscal 2013 due to the transfer to counties of responsibility for a share of local employee pension costs, which saves $239.3 million, offset by $19.6 million in supplemental disparity grant aid that will help low-income counties pay for the shift. The proposed fiscal 2013 State budget includes a general fund reduction of $229.9 million for local school and library retirement costs, contingent on the enactment of legislation requiring local jurisdictions to share 50% of the combined retirement and Social Security costs. A separate contingent cut would reduce the general fund appropriation for community college retirement by an additional $9.5 million with the enactment of this bill. The $19.6 million in supplemental disparity grant aid is not included in the budget if legislation splitting retirement and Social Security costs is *not* enacted.

General fund expenditure decreases will continue in future years under the cost-sharing formulas established for use by the Board of Trustees for the State Retirement and Pension System. Future year savings estimates assume increases in the employer contribution rates for the teachers' systems, annual reinvestments in the pension fund of $300 million (an estimated $198 million of which is attributable to local school, library, and community college employees), and modest growth in the salary bases of local employees. General fund savings will total an estimated $308.3 million in fiscal 2014 and $358.4 million by fiscal 2017.

**Local Effect:** County costs increase by $239.3 million in fiscal 2013 and by an estimated $308.3 million in fiscal 2014 due to the transfer of responsibility for a portion of local employee pension costs. The fiscal 2013 allocation of costs is specified in the bill and is proportionate to each county's share of the total local salary base. Eight jurisdictions that currently qualify for disparity grants will get a total of $19.6 million in additional aid through supplemental disparity grants to help pay for the cost shift. Fiscal 2013 local costs are shown by county in Appendix C1, and the supplemental disparity grant aid is shown in Appendix C3.

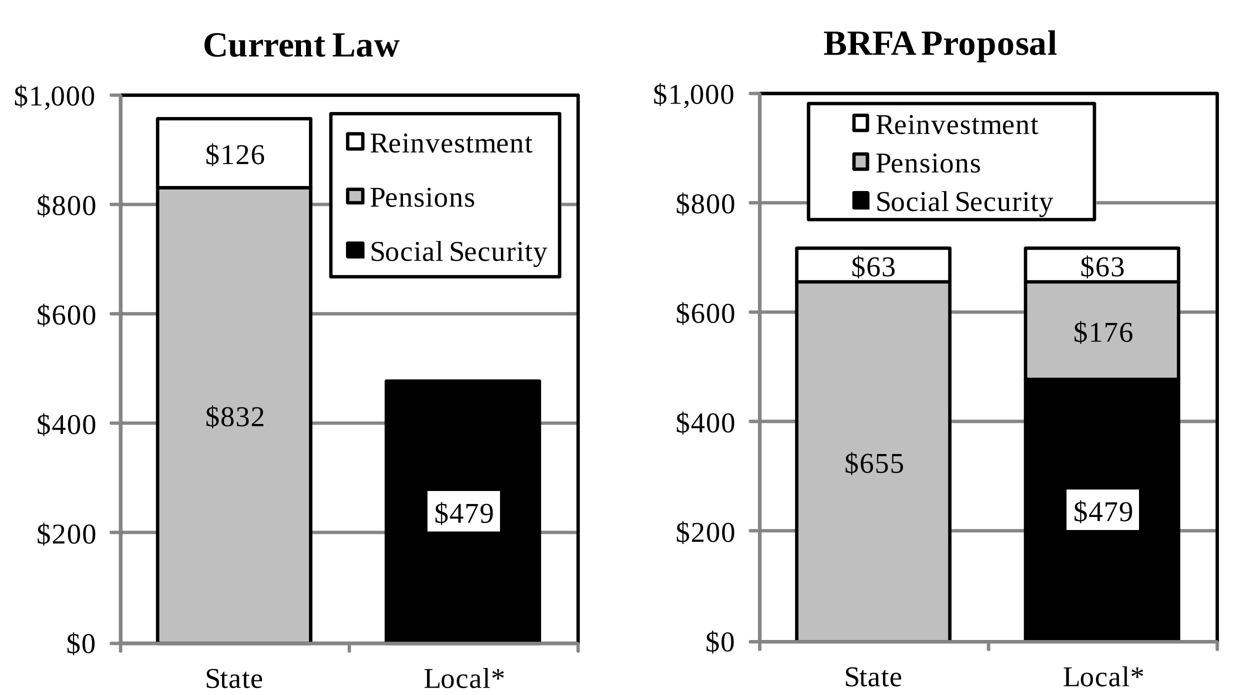
Beginning in fiscal 2014, the Board of Trustees for the State Retirement and Pension System will determine the annual allocation of total costs, presumably using the same methodology used to set the fiscal 2013 cost allocation. Fiscal 2013 through 2017 cost estimates by county are shown in **Appendix C2** and assume 1% annual growth in school and library salary bases and 2.5% annual growth in community college salary bases. To the extent that local salary bases grow at different rates, actual local costs may differ from the future year projections.

**Program Description:** With some relatively small exceptions, the State currently pays 100% of the pension costs for local employees in the Teachers' Retirement System and Teachers' Pension System. These costs more than doubled from fiscal 2006 ($433 million) to fiscal 2011 ($900 million) due to a number of factors, including declining pension fund assets brought on by two recessions, a retroactive pension enhancement enacted in 2006, and increasing local salary bases resulting in part from State initiatives to increase funding for schools, libraries, and community colleges.

The local boards of education, library systems, and community colleges currently pay the employer share of Social Security, which is 7.65% of salary for most employees. They will continue to pay these costs under the proposal, and the 7.65% contribution rate will act as an offset to the costs shifted to counties. However, significant portions of local school, library, and community college budgets consist of funding from the State. For example, the State supports approximately 45% of total local board of education budgets through direct State aid. The percentages are lower for the local library systems and community colleges, but the State's current contributions to Social Security costs, through direct State aid to the entities, mean that the State will continue to fund more than 50% of combined retirement costs.

The pension shift is illustrated in **Exhibit 12**. The new county costs for fiscal 2013 are represented by the local pension ($176 million) and reinvestment ($63 million) shares of the "BRFA Proposal" chart. Future years will operate the same way, with net local spending for pensions and Social Security matching State contributions to the pension systems.

**Exhibit 12**
**Comparison of Pension Cost-sharing Proposal to Current Law Pension Funding**
**Fiscal 2013**
**($ in Millions)**




*The State contributes to local Social Security costs through direct aid to local boards of education, libraries, and community colleges.

Source: Department of Legislative Services

The disparity grants provide State aid to counties with less than 75% of the statewide per capita income tax yield, assuming a uniform local income tax rate. The grants are capped for each county at the amount the county received in fiscal 2010.

**Recent History:** The Budget Reconciliation and Financing Act of 2010 (Chapter 484) established the Public Employees' and Retirees' Benefit Sustainability Commission to review and make recommendations about public employee benefits. The commission recommended several changes to the State's benefit structure to reduce future costs and improve the funded status of the pension fund; many of these recommendations were implemented in the Budget Reconciliation and Financing Act of 2011 (Chapter 397).

The commission also recommended sharing the pension costs of local public school employees with the 24 local school boards. Although this recommendation was not enacted in 2011, Chapter 397 does require local school systems and community colleges (along with all State agencies) to pay a share of the costs for administering the pension fund. The proposed fiscal 2013 State budget includes $12.9 million in payments for administrative costs from local school boards and $623,566 in payments from community colleges.

**Location of Provision(s) in the Bill:** Sections 1 and 19 (pp. 25-29 and 47-48)

Analysis prepared by: Mark W. Collins

**Mental Health Services to the Uninsured**

**Provision in the Bill:** Expands the eligible uses of revenues from CareFirst subsidies to include the provision of mental health services to the uninsured.

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

**Type of Action:** Fund swap

| **Fiscal Impact:** *($ in millions)* | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | ($6.2) | decrease | decrease | decrease | decrease |

**State Effect:** General fund expenditures decrease by $6.2 million in fiscal 2013 due to the use of special funds from the CareFirst subsidies to support mental health programs for the uninsured. The proposed fiscal 2013 State budget includes a $6.2 million reduction in general funds for the Mental Health Administration (MHA) that is contingent on authorization to use CareFirst revenues to support mental health services.

Future year general fund expenditure reductions will depend on budget decisions made by the Governor and the General Assembly and the availability of CareFirst revenues. For example, the annual funding mandate for the Community Health Resource Center (CHRC), which is supported with CareFirst revenues, increases from $3.0 million to $8.0 million in fiscal 2014, so the annual amount available to support mental health may decrease from the $6.2 million proposed in fiscal 2013.

**Program Description:** CareFirst, as a condition of its exemption from the insurance premium tax, is required to subsidize the Senior Prescription Drug Assistance Program (SPDAP), the Kidney Disease Program, and CHRC. In fiscal 2012, the CareFirst subsidy is supporting SPDAP ($14.0 million), the Kidney Disease Program ($8.6 million), and CHRC ($3.15 million). The proposed fiscal 2013 State budget includes special funds from the CareFirst subsidy in the amounts of $14.0 million for SPDAP, $6.6 million for the Kidney Disease Program, and $7.0 million for CHRC. CareFirst provides a second subsidy of up to $4.0 million annually in years when it generates a surplus over a certain amount. The second subsidy supports SPDAP exclusively, but this provision would allow it to be used to fund mental health services for the uninsured too.

MHA provides safety-net services to individuals who have received services within the public mental health system in the past two years (alleviating continuity of care issues for those who occasionally lose Medicaid coverage); the homeless; people who received Social Security Disability Insurance due to psychiatric impairment and are eligible for Medicare (which excludes them from the Medicaid Primary Adult Care Program) but who need services beyond those covered by Medicare; people who are on court-ordered conditional releases from a State-run psychiatric hospital; anyone discharged from a Maryland psychiatric hospital in the past three months; and anyone within three months of release from a correctional institution.

**Location of Provision(s) in the Bill:** Section 1 (pp. 23-24)

Analysis prepared by: Jennifer B. Chasse

**Nursing Home Quality Assessment**

**Provision in the Bill:** Increases the nursing home quality assessment from 5.5% to 6%.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Special fund revenue enhancement; fund swap

| Fiscal Impact: | *($ in millions)* FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| SF Rev | $0 | $11.5 | $11.8 | $12.2 | $12.5 | $12.9 |
| FF Rev | 0 | 3.7 | 3.9 | 4.0 | 4.1 | 4.2 |
| GF Exp | 0 | (5.5) | (5.7) | (5.9) | (6.0) | (6.2) |
| SF Exp | 0 | 11.5 | 11.8 | 12.2 | 12.5 | 12.9 |
| FF Exp | 0 | 3.7 | 3.9 | 4.0 | 4.1 | 4.2 |

**State Effect:** Special fund revenues increase by $11.5 million in fiscal 2013 due to the increase in the nursing home assessment. General fund expenditures decline by $5.5 million due to the use of $5.5 million in special fund revenue generated by the increased assessment to backfill for a fiscal 2013 general fund reduction in Medicaid that is contingent on the enactment of legislation increasing the nursing home quality assessment.

Of the remaining additional fiscal 2013 assessment revenue, $3.7 million will be used to hold harmless nursing facility providers serving Medicaid patients from the impact of the higher assessment ($3.7 million in fiscal 2013 special fund expenditures matched by $3.7 million in federal Medicaid funds) and $0.8 million supports the cost of the assessment at the two State Chronic Hospitals. Based on the current contingent reduction in the budget and other proposed expenditures, $1.4 million in assessment revenue is simply added to the budget.

Future years assume 3% annual increases in revenues and expenditures.

**Program Description:** Chapter 503 of 2007 imposed a 2% nursing home quality assessment. The assessment was increased to 4% by the Budget Reconciliation and Financing Act of 2010 (Chapter 484) and to 5.5% by the Budget Reconciliation and Financing Act of 2011 (Chapter 397).

**Recent History:** The action proposed in this bill is similar to the one enacted in Chapter 484 of 2010 and Chapter 397 of 2011, although unlike in prior years, there is no rate increase component attached to the increase in the assessment. The proposed fiscal 2013 State budget includes a 1% rate increase for nursing homes that is not tied to the assessment.

Under current federal law, the proposed 6% 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 payor of these assessments harmless for all or a portion of the assessment.

**Location of Provision(s) in the Bill:** Section 1 (p. 23)

Analysis prepared by: Simon G. Powell

**Speed Monitoring Systems – Department of State Police Roadside Enforcement Activities**

**Provision in the Bill:** Redirects the balance of revenues from civil fines collected through the use of work zone speed control systems, after specified costs are paid, to the Department of State Police (DSP) for roadside enforcement activities instead of to the Transportation Trust Fund (TTF). This redirection of revenue maintains the current distribution of the balance of program revenues, which, under current law, is set to be distributed to TTF instead of DSP beginning on October 1, 2012.

**Agencies:** Department of State Police; Maryland Department of Transportation

**Type of Action:** Dedicated revenue redirection; fund swap

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($4.2) | ($7.3) | ($6.7) | ($9.1) | ($8.5) |

**State Effect:** The proposed fiscal 2013 State budget reduces the general fund appropriation for DSP by $4.2 million, contingent upon the enactment of legislation allowing the use of speed camera revenues for DSP operations in fiscal 2013. The budget bill authorizes the processing of a special fund budget amendment of that amount to replace the general funds. Thus, general fund expenditures decrease by $4.2 million in fiscal 2013. Even so, Legislative Services estimates that $6.0 million will be transferred to DSP for the final three-quarters of fiscal 2013 under the bill. Future year general fund savings assume that all special funds received by DSP will be used to offset general fund spending for DSP roadside enforcement activities.

Overall special fund finances are not affected. TTF revenues and expenditures decrease by about $6.0 million in fiscal 2013, which accounts for the date that the balance transfer to TTF would have occurred under current law; by an estimated $7.3 million in fiscal 2014; by an estimated $6.7 million in fiscal 2015; by an estimated $9.1 million in fiscal 2016; and by an estimated $8.5 million in fiscal 2017. DSP special fund revenues and expenditures increase correspondingly each year as a result of the redirection of revenue.

The estimated decrease in TTF revenues and expenditures and corresponding increase in special fund revenues and expenditures for DSP is based on work zone speed control system data from fiscal 2010 and 2011; information about the planned usage of work zone speed control systems in future years; and assumptions as to, among other things, the rate of decline in citation issuance. Additionally, speed camera program expenditures are assumed to increase by 2% each year from the fiscal 2012 estimate provided by the

State Highway Administration (SHA). Finally, the estimate accounts for the transfer of $3.0 million annually between fiscal 2013 and fiscal 2015 to DSP, which is required under current law.

**Program Description:** Chapter 500 of 2009 authorized applicable law enforcement agencies to issue violations or warnings for speeding at least 12 miles per hour above the posted speed limit in designated work zones. Pursuant to Chapter 500, all citations have to be verified by DSP or the Maryland Transportation Authority Police. Chapter 500 directs the Comptroller to distribute revenues collected through the use of a work zone speed control system to a special fund, and then to distribute funds to SHA and DSP to cover the costs of implementing and administering work zone speed cameras.

Under current law, any remaining balance is distributed to DSP to fund roadside enforcement activities until October 1, 2012. The Budget Reconciliation and Financing Act of 2011 (Chapter 397) then required that, for fiscal 2013 through 2015 only, $3.0 million annually of the revenues derived from work zone speed control systems, after administrative costs, be distributed to DSP for the purchase of replacement vehicles and related motor vehicle equipment. Beginning October 1, 2012, any remaining balance after the designated uses goes to TTF.

**Location of Provision(s) in the Bill:** Section 1 (p. 30)

Analysis prepared by: Evan Isaacson

**Adult and Elderly Day Care Center Assessment**

**Provision in the Bill:** Imposes a 5.5% assessment on total operating revenue for all day care centers for adults and the elderly.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Special fund revenue enhancement; fund swap

| Fiscal Impact: | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| | | | *($ in millions)* | | | |
| SF Rev | $0 | $6.9 | $7.1 | $7.3 | $7.5 | $7.7 |
| FF Rev | 0 | 3.4 | 3.5 | 3.6 | 3.8 | 3.9 |
| GF Exp | 0 | (3.4) | (3.5) | (3.6) | (3.8) | (3.9) |
| SF Exp | 0 | 6.9 | 7.1 | 7.3 | 7.5 | 7.7 |
| FF Exp | 0 | 3.4 | 3.5 | 3.6 | 3.8 | 3.9 |

**State Effect:** Special fund revenues increase by $6.9 million in fiscal 2013 due to the imposition of an assessment on day care centers for adults and the elderly. General fund expenditures decline by $3.4 million due to the use of $3.4 million in special fund revenues generated by the assessment to backfill for a fiscal 2013 general fund reduction in Medicaid that is contingent on the enactment of legislation establishing the assessment.

The remaining additional assessment revenue will be used to offset the assessment on day care center providers. The Department of Health and Mental Hygiene currently intends to implement the offset through an estimated 7.6% increase in Medicaid rates for adults and elderly day care services. Under this plan, centers that treat high levels of Medicaid patients would actually see an increase in overall revenue, while those that treat lower levels of Medicaid patients would see lower revenues.

Future years assume 3% annual increases in revenues and expenditures.

**Program Description:** Adult and elderly day care centers are programs that provide activities, medical supervision, and social support for adults and seniors who need a protected environment during the day. Under current law there is no assessment on adult or elderly day care centers.

**Recent History:** The action proposed in this provision is similar to assessments imposed on other providers such as nursing homes and hospitals. In addition to the proposed increase in Medicaid rates as part of the mechanism to offset the cost of the assessment on adult and elderly day care centers, the proposed fiscal 2013 State budget includes a 1.5% rate increase for these centers. That increase is not tied to the assessment.

Under current federal law, the proposed 5.5% assessment rate is slightly below the maximum 6% rate that can be assessed on a provider while avoiding the application of provisions that prohibit the guarantee of holding a payor of these assessments harmless for all or a portion of the assessment.

**Location of Provision(s) in the Bill:** Section 1 (p. 21)

Analysis prepared by: Simon G. Powell

**Kidney Disease Program**

**Provision in the Bill:** Increases the amount that may be transferred from the Senior Prescription Drug Assistance Program (SPDAP) to the Kidney Disease Program in fiscal 2013 from $3,000,000 to $5,000,000.

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

**Type of Action:** Fund swap

| **Fiscal Impact:** *($ in millions)* | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | ($2.0) | $0 | $0 | $0 | $0 |
| SF Exp | 0 | 2.0 | 0 | 0 | 0 | 0 |

**State Effect:** Medicaid special fund expenditures for the Kidney Disease Program increase by $2.0 million in fiscal 2013. The fund swap allows for a $2.0 million reduction in general fund spending for the Kidney Disease Program. The proposed fiscal 2013 State budget includes a contingent general fund reduction for the Kidney Disease Program related to this provision. Following the $5.0 million transfer, SPDAP is expected to end fiscal 2013 with a $4.9 million fund balance.

**Program Description:** 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. SPDAP receives funds from CareFirst, including revenues CareFirst provides to the State for its insurance premium tax exemption and up to an additional $4.0 million in years when CareFirst generates a surplus over a certain amount.

**Recent History:** Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011) authorized the transfer of $2.5 million in fiscal 2011 from SPDAP to Medicaid, and authorized transfers of $3.0 million in each of fiscal 2012 and 2013 from SPDAP to the Kidney Disease Program. The Act also required that a portion of the premium tax exemption subsidy provided by CareFirst be used to subsidize the Kidney Disease Program.

**Location of Provision(s) in the Bill:** Section 1 (pp. 30-31)

Analysis prepared by: Jennifer B. Chasse

**Small, Minority, and Women-Owned Business Account**

**Provision in the Bill:** Authorizes the transfer of $1,867,000 from the Small, Minority, and Women-Owned Business Account to the Education Trust Fund in fiscal 2012.

**Agencies:** Department of Business and Economic Development; Maryland State Department of Education

**Type of Action:** Fund balance transfer; fund swap

| **Fiscal Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| | | | *($ in millions)* | | | |
| GF Exp | $0 | ($1.9) | $0 | $0 | $0 | $0 |
| SF Exp | 0 | 1.9 | 0 | 0 | 0 | 0 |

**State Effect:** General fund expenditures decrease by $1.9 million in fiscal 2013 due to the availability of special funds transferred from the Small, Minority, and Women-Owned Business Account to the Education Trust Fund in fiscal 2012 for use toward State education aid in fiscal 2013. Special fund expenditures increase by an equivalent amount.

The proposed fiscal 2013 State budget includes a $1.9 million general fund reduction in State education aid that is contingent on authorization for this transfer. The budget bill grants authorization to process a special fund amendment to backfill the general fund reduction with special funds from the Education Trust Fund.

The fiscal 2012 fund balance transfer will leave $2.1 million in the Small, Minority, and Women-Owned Business Account at the end of fiscal 2012. There is no impact after fiscal 2013.

**Program Description:** The Small, Minority, and Women-Owned Business Account is designed to provide investment capital and loans to small, minority, and women-owned business in the State. At least 50% of available funds must be dedicated to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities.

**Recent History:** The Small, Minority, and Women-Owned Business Account was created by Chapter 4 of the 2007 special session. The legislation dedicated a portion (1.5%) of gross video lottery terminal (VLT) revenues to the account and tasked the Board of Public Works (BPW) with the administration of the program. In fiscal 2012, BPW partnered with the Department of Business and Economic Development to assist with the design and management of the program. However, to date, the parameters of the program have not yet been set, and no investment funds have been provided from the account to any business.

The fiscal 2011 appropriation to the account was $1.9 million; however, due to lower than expected VLT revenues, only $1.6 million accrued to the fund. Similarly, approximately $5.9 million was appropriated to the account in fiscal 2012, but only about $2.4 million is expected to accrue.

**Location of Provision(s) in the Bill:** Section 12 (p. 46)

Analysis prepared by: Jody J. Sprinkle

**Maryland Heritage Areas Authority Financing Fund**

**Provision in the Bill:** Authorizes the Maryland Department of Planning (MDP) to use an additional $1,150,000 of the Maryland Heritage Areas Authority's (MHAA) Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2013 only.

**Agency:** Maryland Department of Planning

**Type of Action:** Fund swap; special fund mandate relief

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($1.2) | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures decrease by $1.2 million in fiscal 2013 as $1.2 million in additional POS funds is redirected from the MHAA Grant Program to cover MDP operating expenses. The proposed fiscal 2013 State budget includes a $1.2 million 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 $39,865, approximately 29 fewer grants will be awarded to local governments and nonprofit organizations in fiscal 2013 as a result of this provision.

According to MDP, the average MHAA grant leverages approximately $114,839 in non-State funds. Thus, reducing the MHAA grant funding by $1.15 million may result in the loss of up to $3.3 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 $2.3 million in grants in fiscal 2012.

**Recent History:** In fiscal 2002, the State transferred $3.0 million from the MHAA Financing Fund to the general fund in accordance with the Budget Reconciliation and Financing Act of 2002 (Chapter 440). 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. The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized MDP to use an additional $500,000 of MHAA's POS funding allocation for MDP operating expenses in fiscal 2012 only.

**Location of Provision(s) in the Bill:** Section 1 (p. 18)

Analysis prepared by: Lesley G. Cook

**Fair Campaign Financing Fund**

**Provision in the Bill:** Authorizes the transfer of up to $413,000 from the Fair Campaign Financing Fund (FCFF) to the State Board of Elections (SBE) for the operations and maintenance expenses of a new online campaign finance system.

**Agency:** State Board of Elections

**Type of Action:** Fund swap

| **Fiscal** | *(in dollars)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($413,000) | $0 | $0 | $0 | $0 |
| SF Exp | 0 | 413,000 | 0 | 0 | 0 | 0 |

**State Effect:** General fund expenditures decrease by $413,000 in fiscal 2013 due to the use of funds from FCFF for the operations and maintenance expenses of a new online campaign finance system, and special fund expenditures from FCFF increase by the same amount. The proposed fiscal 2013 State budget includes a reduction of $413,000 from SBE's general fund appropriation, contingent on enactment of legislation authorizing the use of revenue from FCFF for the board. The fund will be left with at least $4.4 million at the end of fiscal 2013, plus interest that accrues to the fund between now and then. That ending balance accounts for both the $413,000 transfer authorized under this bill and a $250,000 transfer authorized to be made in fiscal 2012 or 2013 under Chapters 292 and 293 of 2011.

**Program Description:** FCFF contains funding for a public gubernatorial campaign financing system that has not been utilized in a number of years. In recent years, the General Assembly has authorized certain amounts from the fund to be used for other election-related purposes. The fund previously generated revenue from a tax add-on system, which was eliminated in the Budget Reconciliation and Financing Act of 2010 (Chapter 484). As of December 2011, FCFF had a balance of approximately $5.1 million.

SBE has implemented a new online campaign finance reporting system that replaces a software-based system first implemented in 1999. The new online system was implemented using $500,000 previously transferred from FCFF and, for fiscal 2012 maintenance costs, $100,000 in general funds. The $413,000 authorized to be transferred under this bill will be used for maintenance of the system ($163,000) and a Department of Information Technology oversight charge ($250,000). The new system is expected to benefit the users in managing and filing their information and SBE in administering the system.

**Recent History:** The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized $2.0 million from FCFF to be used for a new optical scan voting system, but a new voting system has not been implemented to date, and funding for a new system, from FCFF or otherwise, has not been included in the proposed fiscal 2013 State budget. Money from the fund has therefore not been transferred for that purpose. Chapter 484 of 2010 authorized the Department of Legislative Services to use $150,000 from FCFF for a study of various voting system issues and authorized SBE to use $500,000 in fiscal 2011 for the implementation of an online campaign finance reporting system. Both of those transfers were made. Chapters 292 and 293 of 2011 authorized the use of a cumulative $250,000 from FCFF to implement online voter registration. These funds are available in fiscal 2012 and 2013 and have not yet been transferred.

**Location of Provision(s) in the Bill:** Section 13 (p. 46)

Analysis prepared by: Scott Kennedy

**Court Judgments Against Local Boards of Education**

**Provisions in the Bill:** Require a local board of education to request, and a county council or board of county commissioners to approve, an amount adequate to satisfy a final court judgment, after all rights of appeal have been exhausted, against a local board of education. The State may deduct any monies required to be included in the State budget bill to satisfy a final judgment against a local board from any other State education aid that would otherwise be paid to the board.

**Agency:** Maryland State Department of Education

**Type of Action:** Cost shift

| **Fiscal Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | decrease | decrease | decrease | decrease | decrease |

**State Effect:** The provision ensures that the State will be able to avoid a general fund expenditure increase in the amount of any final court judgment against a local board of education. If required, the amount of the judgment will be paid by the State but will result in an equivalent reduction in State education aid to the local board, effectively holding the State harmless for any court judgment against a local board of education.

**Local Effect:** Local school revenues from State education aid will be reduced if the State pays a court judgment against a county board of education. The reduction will be in an amount equivalent to the final court judgment.

**Program Description:** In a case that arose from a written school construction contract dispute, the Court of Appeals held in *Beka Industries, Inc. v. Worcester County Board of Education* that local boards of education are "legally State agencies." Under § 12-203 of the State Government Article, the Governor must include in the budget bill, money that is adequate to satisfy a final court judgment against the State or its officers or units. With the Court of Appeals ruling that local boards of education are State agencies, this provision allows the State to meet an obligation to pay a court judgment without increasing State spending if a local board does not pay a judgment.

**Location of Provision(s) in the Bill:** Section 1 (pp. 8-9)

Analysis prepared by: Rachel H. Hise

**Mandated Appropriations**

**Provision in the Bill:** Relieves the Governor from the requirement that mandated funding increases be included in the proposed budgets for fiscal 2013 through 2017. During these years, the Governor is not required to increase an appropriation for any program or item beyond the amount provided in the fiscal 2012 State budget, with the exception of aid for public schools, the State's employer contributions to the pension fund, and appropriations to the Revenue Stabilization Account (*i.e.*, Rainy Day Fund). Programs and items addressed elsewhere in the bill are not affected by this provision.

**Agencies:** Multiple

**Type of Action:** Mandate relief

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($93.3) | ($85.2) | ($47.9) | ($50.3) | ($52.9) |
| SF Exp | 0 | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) |

**State Effect:** General fund expenditures decrease by $93.3 million in fiscal 2013 due to the budget flexibility granted to the Governor through this provision. Special fund expenditures decrease by $720,800. At least nine contingent reductions in the proposed fiscal 2013 State budget are related, at least in part, to this provision. Those reductions are listed below, with the amount by which the programs will be reduced in fiscal 2013.

| **Program** | **Fund Type** | **Reduction** |
|---|---|---|
| Transfer Tax Repayment | General | ($50,000,000) |
| Local Police Aid | General | (21,420,535) |
| Funding for Tobacco Reduction Programs | Special* | (14,688,143) |
| Miscellaneous Baltimore City Grant | General | (3,075,000) |
| Local Health Department Aid | General | (1,894,001) |
| Tourism Development Board | General | (1,000,000) |
| Community College English for Speakers of Other Languages (ESOL) Grants | General | (863,773) |
| Horse Racing Impact Aid | Special | (720,800) |
| Arts Council | General | (344,703) |
| **Total Reductions** | | **($94,006,955)** |

*Special funds from the Cigarette Restitution Fund are instead redirected to Medicaid, reducing general fund expenditures for Medicaid by an equivalent amount.

Future year expenditure savings assume that these items will remain at budgeted fiscal 2012 spending levels, although the actual savings will depend on decisions made by the Governor for the fiscal 2014 through 2017 budgets. Continued savings are anticipated for all programs. The bill does not allow the Governor to provide less than the fiscal 2012 amounts for mandated programs and items.

**Local Effect:** Of the fiscal 2013 reductions identified above, five will impact State aid to local governments: police aid, the miscellaneous Baltimore City grant, local health department aid, community college ESOL grants (less $44,886 for Baltimore City Community College, a State agency), and horse racing impact aid. The reductions total $27.9 million and are shown by county in Appendix C3 and **Appendix C4**. Local governments would also be impacted to the extent the transfer tax repayment appropriated to the Dedicated Purpose Account would have been allocated for the local share of Program Open Space in fiscal 2013.

Future year State aid decreases will depend on decisions made by the Governor for the fiscal 2014 through 2017 budgets. The bill does not allow the Governor to provide less than the fiscal 2012 amounts for mandated programs and items, but reductions from expected State aid levels could be significant.

**Program Description:** A Department of Legislative Services analysis of the fiscal 2012 State budget found that 71.0% of the general fund budget paid for mandates and entitlements, up from 68.2% in fiscal 2011. A significant portion of mandated general fund spending, however, is education aid, a budget item that is not affected by this provision.

**Recent History:** The Budget Reconciliation and Financing Acts of 2010 (Chapter 484) and 2009 (Chapter 487) included sections that waived the Governor's obligation to include mandated funding increases in the annual budget proposals for fiscal 2011 and 2012, with exceptions for education aid, retirement payments, and appropriations to the Revenue Stabilization Account. However, those provisions applied to future budget proposals. This provision affects the current budget proposal, and the proposed fiscal 2013 State budget includes reductions to spending mandates based on the relief granted by this provision.

**Location of Provision(s) in the Bill:** Section 15 (pp. 46-47)

Analysis prepared by: Mark W. Collins

**Baltimore City Community College**

**Provision in the Bill:** Reduces funding for Baltimore City Community College (BCCC) from fiscal 2013 through 2022 by setting a reduced funding level for fiscal 2013, freezing per full-time equivalent student (FTES) funding at the new fiscal 2013 level from fiscal 2014 through 2017, and returning to formula funding in fiscal 2018. Full formula funding is reached in fiscal 2023, the same year specified in current statute.

**Agency:** Baltimore City Community College

**Type of Action:** Mandate relief

| **Fiscal Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| | | | *($ in millions)* | | | |
| GF Exp | $0 | ($1.7) | ($ 3.0) | ($4.4) | ($5.8) | ($7.5) |

**State Effect:** General fund expenditures for the BCCC formula are reduced by $1.7 million in fiscal 2013 due to the reduced funding level set in the bill. The majority of a $1.7 million reduction to the proposed fiscal 2013 State budget for BCCC is contingent on the enactment of legislation reducing the mandated funding amount for the college.

Future year general fund expenditure reductions are estimated at $3.0 million in fiscal 2014, $4.4 million in fiscal 2015, $5.8 million in fiscal 2016, and $7.5 million in fiscal 2017. The estimates are based on projected enrollments at BCCC and estimated funding levels at selected public four-year institutions. Some level of savings will continue until fiscal 2023, when the statute reaches the full funding percentage of 68.5%.

**Program Description:** BCCC is the only community college operated by the State. The annual base appropriation for BCCC is determined by a formula that is based on a percentage of the State's per FTES funding for public four-year institutions of higher education. This per FTES amount is multiplied by total BCCC enrollment from the second prior year to arrive at a total formula amount.

**Recent History:** Chapter 333 of 2006 began a phased enhancement of the BCCC formula that has been adjusted frequently by budget reconciliation legislation. The most recent alteration was enacted in the Budget Reconciliation and Financing Act of 2011 (Chapter 397), which set the formula percentage at 63.5% for fiscal 2013 and phased the percentage up more gradually than under previous scenarios.

**Location of Provision(s) in the Bill:** Section 1 (pp. 13-15)

Analysis prepared by: Richard Harris

**Joseph A. Sellinger Program for Independent Colleges and Universities**

**Provision in the Bill:** Reduces funding for qualifying independent colleges and universities under the Joseph A. Sellinger formula from fiscal 2013 through 2020 by setting a reduced funding level for fiscal 2013 ($38,445,956), freezing per full-time equivalent student (FTES) funding at the fiscal 2013 level from fiscal 2014 through 2017, and returning to formula funding at reduced levels for fiscal 2018 through 2020. The formula returns to its full funding level in fiscal 2021, the same year as in current statute.

**Agency:** Maryland Higher Education Commission

**Type of Action:** Mandate relief

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($1.3) | ($3.5) | ($7.2) | ($10.8) | ($16.5) |

**State Effect:** Mandated general fund expenditures for the Sellinger formula decrease by $1.3 million in fiscal 2013 due to the establishment of a lower funding level for the year. The proposed fiscal 2013 State budget includes a $1.3 million reduction to the Sellinger formula contingent on enactment of this bill.

Future year general fund expenditure reductions are estimated at $3.5 million in fiscal 2014, $7.2 million in fiscal 2015, $10.8 million in fiscal 2016, and $16.5 million in fiscal 2017. The estimates use projected enrollments at qualifying independent colleges and universities and estimated funding levels for public four-year institutions. Some level of savings will continue until fiscal 2021, when the statute reaches its full funding percentage of 15.5%.

**Program Description:** The Joseph A. Sellinger Program provides State funding to 15 qualifying nonprofit independent colleges and universities. The Sellinger formula uses a percentage of the State's per FTES funding for selected public four-year institutions of higher education to determine a per FTES funding amount for the independent institutions. Under current law, the mandated Sellinger percentage of per FTES funding at the four-year institutions is 9.7% for fiscal 2013 and is scheduled to phase up to full funding (15.5%) for fiscal 2021 and subsequent years.

**Recent History:** The fiscal 2010 budget adopted by the General Assembly provided a small increase for the formula to $52.2 million, but cost containment actions by the Board of Public Works reduced fiscal 2010 funding by $13.7 million to $38.4 million. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) held the Sellinger formula at the fiscal 2010 level in fiscal 2011 and 2012 before restarting the phase up to full funding. This bill holds the funding level at $38.4 million for an additional year.

The Budget Reconciliation and Financing Act of 2011 (Chapter 397) created further savings for the Sellinger formula by excluding enrollments from partnerships with for-profit institutions. In fiscal 2012, Baltimore International College entered a partnership with a for-profit institution, so it became ineligible for Sellinger aid in the second half of fiscal 2012 and beyond. Its portion of aid was redistributed to other eligible institutions.

**Location of Provision(s) in the Bill:** Section 1 (pp. 15-17)

Analysis prepared by: Garret T. Halbach

**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 $2,750,000 for fiscal 2013 and 2014.

**Agency:** Maryland Department of Agriculture

**Type of Action:** Mandate relief

| **Fiscal Impact:** | ($ in millions) **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | ($0.25) | ($1.25) | $0 | $0 | $0 |

**State Effect:** Mandated general fund expenditures decrease by $250,000 in fiscal 2013 and $1.25 million in fiscal 2014, based on the amount the Governor otherwise would have been required to fund ($3.0 million in fiscal 2013 and $4.0 million in fiscal 2014). The proposed fiscal 2013 State budget includes $3.0 million for MARBICO, but that appropriation is reduced by $250,000 contingent upon enactment of legislation reducing the mandated amount of funds for the program.

**Local Effect:** Local governments may be affected in fiscal 2013 and 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 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 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) reduced the required fiscal 2010 and 2011 funding levels to $2.75 million and required the Governor to include $4.0 million annually for MARBIDCO in the fiscal 2012 through 2020 State budget bills. The fiscal 2012 State budget included $2.75 million for the program, reflecting a provision in the Budget Reconciliation and Financing Act of 2010 (Chapter 484) that generally relieved the Governor of the obligation to provide any increases in mandated funding for fiscal 2012 beyond the amounts provided in the fiscal 2011 budget. The Budget Reconciliation and Financing Act of 2011 (Chapter 397) reduced the mandated amount of funds for the program from $4.0 million to $3.0 million for fiscal 2013.

**Location of Provision in the Bill:** Section 1 (pp. 7-8)

Analysis prepared by: Lesley G. Cook

**Senator John A. Cade Funding Formula for Local Community College Aid**

**Provision in the Bill:** Alters funding for local community colleges under the Senator John A. Cade formula from fiscal 2013 through 2022 by specifying the fiscal 2013 funding for each college, freezing per full-time equivalent student (FTES) funding at the aggregate fiscal 2013 per FTES level from fiscal 2014 through 2017, and returning to reduced formula funding levels for fiscal 2018 through 2022. The full funding percentage is reached in fiscal 2023, the same year the formula reaches full funding under current statute.

**Agency:** Maryland Higher Education Commission

**Type of Action:** Mandate relief

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | $3.1 | $3.4 | ($7.7) | ($31.0) | ($49.8) |

**State Effect:** Mandated general fund expenditures for community college aid increase by $3.1 million in fiscal 2013 due to the higher required funding level set for fiscal 2013. The proposed fiscal 2013 State budget includes the increase, which accounts for a $1.7 million contingent reduction that effectively eliminates required State aid increases associated with more rapid enrollment growth at three colleges (Community College of Baltimore County, Howard Community College, and Prince George's Community College).

General fund expenditures increase by an estimated $3.4 million in fiscal 2014, before declining below projected current law appropriations in fiscal 2015 through 2017. The estimates use projected community college enrollments and estimated funding levels for public four-year institutions of higher education. Savings will continue through fiscal 2022. The formula returns to current statute in fiscal 2023, when the total per FTES funding is equal to 29% of the State's per FTES funding for selected public higher education institutions.

**Local Effect:** Direct State aid for community colleges increases by $3.1 million in fiscal 2013, but will fall below current law levels for fiscal 2015 through 2022. The Cade formula will phase up to full funding under the revised schedule by fiscal 2023, the same year as current statute. The additional funding for fiscal 2013 is shown by county in Appendix C4.

**Program Description:** The Cade formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State's per FTES funding for selected public four-year institutions of higher education. This per FTES amount is multiplied by total community college enrollment from the second prior year to arrive at the total formula amount for the colleges. Each college's share of the total is then based on its proportion of formula funding from the prior year and enrollment.

**Recent History:** Chapter 333 of 2006 began a phased enhancement of the Cade formula that has been adjusted frequently by budget reconciliation legislation. The most recent alteration was enacted in the Budget Reconciliation and Financing Act of 2011 (Chapter 397), which set the formula percentage at 19% for fiscal 2013 and 2014 and phased the percentage up more gradually than under previous scenarios.

**Location of Provision(s) in the Bill:** Section 1 (pp. 10-13)

Analysis prepared by: Richard Harris

**Medicaid Hospital Assessments**

**Provisions in the Bill:** Authorize the Health Services Cost Review Commission (HSCRC) to adopt regulations establishing alternative methods for financing the disproportionate share hospital (DSH) payment in hospital rates. In addition, HSCRC is required to approve remittances in the amount of $9,100,000 to support general Medicaid operations in fiscal 2013; however, the remittances may be reduced by the amount of any reduction in State Medicaid expenditures that result from commission-approved changes in hospital rates or policies.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Cost control; fund swap

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| FF Rev | 0 | ($9.1) | ($9.4) | ($9.7) | ($9.9) | ($10.2) |
| GF Exp | 0 | (9.1) | (9.4) | (9.7) | (9.9) | (10.2) |
| FF Exp | 0 | (9.1) | (9.4) | (9.7) | (9.9) | (10.2) |

**State Effect:** Medicaid expenditures decrease by $18.2 million (50% general funds, 50% federal funds) in fiscal 2013 due to savings generated by the alternate DSH payment. The proposed fiscal 2013 State budget assumes an $18.2 million decrease in Medicaid expenses that reflects the projected savings. If fiscal 2013 savings cannot be realized through the alternate DSH payment, special fund revenues of up to $9.1 million will be generated from hospital remittances and will be used to replace Medicaid general funds, securing the fiscal 2013 general fund savings assumed in the budget. In this case, there would not be a corresponding federal fund revenue/expenditure decrease.

In future years, savings from the revised DSH payment methodology will increase by an estimated 3% per year.

**Program Description:** DSH is a federal program in Medicaid. Each state has a federal DSH allocation (requiring a state match) that is used to send supplemental funds to hospitals that serve high volumes of uninsured and Medicaid patients. A Maryland hospital is considered a DSH hospital if either the (1) Medicaid inpatient utilization rate is statistically higher that the average utilization for Maryland hospitals serving Medicaid enrollees; or (2) low-income utilization rate exceeds 25%.

Unlike in other states, DSH is absorbed in the all-payor system in Maryland. Half of overall uncompensated care is paid through a statewide pooling mechanism (the Uncompensated Care Fund) while the remainder is built into the rates of the specific hospital that incurred the uncompensated care.

**Location of Provision(s) in the Bill:** Sections 1 and 18 (pp. 22-23 and 47)

Analysis prepared by: Jennifer B. Chasse

**Nursing Facility Payments to Reserve Beds for Hospital Absences**

**Provision in the Bill:** Repeals the requirement that Medicaid provide payment to a nursing facility for the cost of reserving a bed for a patient hospitalized for an acute condition.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Cost control

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| FF Rev | $0 | ($2.6) | ($2.6) | ($2.7) | ($2.8) | ($2.9) |
| GF Exp | 0 | (2.6) | (2.6) | (2.7) | (2.8) | (2.9) |
| FF Exp | 0 | (2.6) | (2.6) | (2.7) | (2.8) | (2.9) |

**Fiscal Impact:** Repeal of nursing facility payments for reservation of beds for hospital leave will generate $5.1 million in savings for the Medicaid program (50% federal funds, 50% general funds) in fiscal 2013. The savings has already been assumed in the proposed fiscal 2013 State budget. Medicaid expenditure reductions in future years assume that nursing home costs increase 3% annually.

**Program Description:** Medicaid currently reimburses a nursing facility at 50% of the interim per diem rates for up to 15 days for the cost of reserving beds for patients hospitalized for an acute condition. The hospitalization must be certified as medically necessary, and the provider must guarantee that the recipient's bed will be available upon return from the hospitalization.

The Department of Health and Mental Hygiene advises that the savings generated by this provision are utilized to expand the Medicaid Personal Care Program, which offers personal care assistance with activities of daily living to Medicaid recipients who have a chronic illness, medical condition, or disability. Personal care services include basic assistance with dressing, grooming, toileting, self-administered medications, and diet; escort to medical services; and performance of incidental household services essential to the patient's health.

**Location of Provision(s) in the Bill:** Section 1 (pp. 21-22)

Analysis prepared by: Jennifer B. Chasse

**Providers of Nonpublic Placements**

**Provision in the Bill:** Limits growth in the fiscal 2013 rates paid to providers of nonpublic special education placements to 1% over the rates in effect on January 19, 2011.

**Agency:** Maryland State Department of Education

**Type of Action:** Cost control

| **Fiscal Impact:** | *($ in millions)* **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | ($2.1) | ($2.2) | ($2.2) | ($2.3) | ($2.3) |

**State Effect:** Limiting increases in the nonpublic placements provider rates for fiscal 2013 reduces general fund expenditures by an estimated $2.1 million. The expenditure reduction is assumed in the proposed fiscal 2013 State budget. Limiting rate increases in fiscal 2013 is also expected to reduce future costs since rates will grow from a lower fiscal 2013 base amount. Future year savings assume a 1.9% rate increase in fiscal 2014 and 2.2% annual increases in placement costs beginning in fiscal 2015.

**Local Effect:** The limit on provider rates will reduce local costs for nonpublic placements.

**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. The school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this are split 70% State/30% local.

**Recent History:** The Budget Reconciliation and Financing Act of 2009 (Chapter 487) decreased the State share of funding for nonpublic placements from 80% to 70% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1%. Budget reconciliation legislation enacted in 2010 (Chapter 484) and 2011 (Chapter 397) prohibited any increases in the fiscal 2011 and 2012 rates paid to these providers.

**Location of Provision(s) in the Bill:** Section 16 (pp. 47)

Analysis prepared by: Rachel N. Silberman

**Rates for Residential Child Care Group Homes**

**Provision in the Bill:** Limits fiscal 2013 increases in rates for residential child care providers that have their rates set by the Interagency Rates Committee (IRC) to no more than 1% over the rates in effect on January 19, 2011.

**Agencies:** Department of Human Resources; Department of Juvenile Services

**Type of Action:** Cost control

| **Fiscal Impact:** *($ in millions)* | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | ($1.8) | $0 | $0 | $0 | $0 |
| FF Exp | 0 | (0.4) | 0 | 0 | 0 | 0 |

**State Effect:** General fund expenditures for residential child care decrease by an estimated $1.8 million in fiscal 2013 due to the 1% limit on provider rates. This reduction includes savings of $1.4 million for the Department of Human Resources (DHR) and $437,000 for the Department of Juvenile Services (DJS). A federal fund savings of $448,000 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 limit on rates is assumed for DHMH. The rate limitation is assumed in the proposed fiscal 2013 State budget.

No future year savings are projected because the IRC rate setting process is cost-based, which means future rates that are not restrained through legislation will be set at a level sufficient to cover reasonable provider costs.

**Program Description:** 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:** Cost containment actions taken by the Board of Public Works in fiscal 2009 reduced rates for residential child care placements by 1%. Rates were then frozen three successive years by the Budget Reconciliation and Financing Acts of 2009, 2010 and 2011 (Chapter 487 of 2009, Chapter 484 of 2010, and Chapter 397 of 2011). This bill allows rates to increase by up to 1%.

**Location of Provision(s) in the Bill:** Section 17 (p. 47)

Analysis prepared by: Steven D. McCulloch

**Geographic Cost of Education Index**

**Provision in the Bill:** Repeals a requirement that the Geographic Cost of Education Index (GCEI) adjustment be updated every three years using the most current data available and the same methodology set forth in the report titled "Adjusting for Geographic Differences in the Cost of Education Provision in Maryland (December 31, 2003)." Instead, the adjustments must be updated by September 2016 using the most current methodology.

**Agency:** Maryland State Department of Education

**Type of Action:** Cost deferral

| **Fiscal** | *(in dollars)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Exp | $0 | ($50,000) | $0 | $0 | ($50,000) | $100,000 |

**State Effect:** General fund expenditures to hire a contractor to conduct GCEI studies for September 2012 and 2015 will be deferred, saving an estimated $50,000 in each of fiscal 2013 and 2016. The proposed fiscal 2013 State budget does not include funding for the study.

Contracting for a study that uses a more current methodology is expected to cost at least $100,000 (and could be higher). It is assumed that the cost for the September 2016 report will be incurred in fiscal 2017.

**Local Effect:** Local revenues from State aid could be affected in accordance with the results of the recalculated GCEI adjustments. Although overall State funding for the GCEI formula might not change significantly, the allocation of the funds could be altered beginning in fiscal 2018.

**Program Description:** The goal of GCEI is to recognize regional differences in the cost of educational resources and to compensate school systems where resources cost more due to factors beyond the control of local jurisdictions. The Bridge to Excellence in Public Schools Act of 2002 included language that required the development of a Maryland-specific GCEI that would be available to adjust State aid beginning in fiscal 2005. Chapter 430 of 2004 then established a formula for the Maryland-specific GCEI that phased in from fiscal 2006 to 2010, but the phase-in schedule was not followed. Instead, the formula received no funding through fiscal 2008 and was phased in during fiscal 2009 and 2010. Fiscal 2012 funding for the GCEI formula is $127.3 million, and the proposed fiscal 2013 State budget includes $128.8 million for the program.

**Recent History:** Chapter 2 of the 2007 special session required GCEI to be updated in September 2009 and every three years thereafter. GCEI was updated as required in 2009, but the newer index was not codified and has not been used to calculate State aid.

**Location of Provision in the Bill:** Section 13 (pp. 30)

Analysis prepared by: Rachel N. Silberman

**Aging Schools Program**

**Provision in the Bill:** Specifies that mandated State funding and local allocations for the Aging Schools Program remain fixed and are not based on prior year funding beginning in fiscal 2013.

**Agency:** Public School Construction Program

**Type of Action:** Cost control; clarification

**State Effect:** There is no direct impact on State funding, but any future-year enhancement to the program will not obligate the State to the increased funding level in the years following the enhancement.

**Program Description:** The Aging Schools Program was initially established by the Baltimore City-State Partnership legislation, which provided $4.4 million for the program and specific allocations for local school systems. The following year, the School Accountability Funding for Excellence legislation increased the annual funding level by $6.0 million to $10.4 million. Budget reconciliation language in recent years has subsequently reduced the required annual funding level to $6.1 million.

Eligible Aging Schools Program expenditures include asbestos and lead paint abatement; upgrade of fire protection systems and equipment; painting; plumbing; roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services. Projects must cost at least $10,000 to be funded through the program. The Maryland State Department of Education and the Public School Construction Program review aging schools project requests submitted by local school systems, approve eligible projects, and determine if additional review of any construction documents will be required.

**Recent History:** The fiscal 2012 capital budget provided a one-time increase of $2.5 million for the Aging Schools Program and included language that exempted the enhancement from a current law requirement that funding for the program be at least equivalent to funding in the prior fiscal year. Thus, required funding for the program returns to $6.1 million for fiscal 2013. Under this provision, any future enhancements to the program will likewise not require the State to spend more for the program in subsequent years.

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

Analysis prepared by: Michael C. Rubenstein

### Recordation Tax – Indemnity Mortgages

**Provision in the Bill:** Applies the recordation tax to an "indemnity mortgage" in the same manner as if the guarantor were primarily liable for the guaranteed loan, unless the recordation tax is paid on another instrument of writing that secures the payment of the guaranteed loan or the indemnity mortgage secures a guarantee of repayment of a loan for less than $1.0 million. An indemnity mortgage includes any mortgage, deed of trust, or other security interest in real property that secures a guarantee of repayment of a loan for which the guarantor is not primarily liable.

**Type of Action:** Local revenue enhancement

**State Effect:** None; the counties and Baltimore City collect recordation taxes.

**Local Effect:** Local government revenues increase significantly beginning in fiscal 2013, depending on the number of transactions occurring each year and the value of each transaction. Based on estimates for recent transactions in some counties, total recordation tax revenues may increase by $39.7 million in fiscal 2013. However, any increases may vary from year to year depending on local economic development activity. Local expenditures are not affected.

**Exhibit 13** shows the county recordation tax rates and revenue collections for each jurisdiction for fiscal 2010 through 2012. Applying local recordation taxes to indemnity mortgages is expected to increase local revenues by approximately $39.7 million in fiscal 2013, as shown in **Exhibit 14** and Appendix C5, based on estimates provided by the counties and Baltimore City at the request of the Department of Legislative Services and the Maryland Association of Counties. Many counties have tracked the use of indemnity mortgages in recent years and have projected the lost revenue from such transactions. However, several counties either do not track the recording of indemnity mortgages or did not provide an estimate. In these instances, a 10% increase over fiscal 2012 recordation tax revenue is assumed.

To the extent that the number of transactions varies going forward, the effect on county revenues will vary accordingly.

**Program Description:** The counties and Baltimore City are authorized to impose locally established recordation tax rates on any business or person (1) conveying title to real property; or (2) creating or giving notice of a security interest (*i.e.*, a lien or encumbrance) in real or personal property by means of an instrument of writing. Local recordation tax rates range from $2.50 per $500 in Baltimore, Howard, and Prince George's counties to $6.00 per $500 in Frederick and Talbot counties.

An indemnity mortgage works as follows. A lender agrees to loan money to a borrower on two conditions: (1) that a third party guarantees repayment of the loan; and (2) that the guarantor executes a mortgage on real property to secure the guarantee. An indemnity mortgage is the instrument that manifests the pledge of the property. An indemnity mortgage is recorded so as to establish a lien on the property.

The bill is intended to eliminate a purported tax avoidance transaction in which an entity, in order to avoid recordation tax on a deed of trust, creates a limited liability company (LLC) and has the LLC borrow money with a third party as the guarantor of the debt. In that case, no recordation tax is paid on the LLC borrowing or the third-party guarantee.

**Recent History:** HB 420 of 2011 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 559/HB 260 of 2008 received hearings in the Senate Budget and Taxation Committee and House Ways and Means Committee, respectively, but no further action was taken on either bill. HB 409 of 2007 and HB 454 of 2006 received hearings in the House Ways and Means Committee, but no further action was taken on either bill.

**Location of Provision(s) in the Bill:** Section 3 and 22 (pp. 43-44, 48)

Analysis prepared by: Michael Sanelli

**Exhibit 13**
**Local Recordation Taxes – Rates and Collections**

| County | Tax Rate | FY 2010 | FY 2011 | FY 2012 |
|---|---|---|---|---|
| Allegany | $3.25 | $1,235,868 | $1,250,000 | $1,070,079 |
| Anne Arundel | 3.50 | 28,975,957 | 30,000,000 | 33,000,000 |
| Baltimore City | 5.00 | 20,942,367 | 19,425,608 | 20,545,000 |
| Baltimore | 2.50 | 20,027,562 | 18,423,084 | 21,000,000 |
| Calvert | 5.00 | 5,690,348 | 5,700,000 | 5,500,000 |
| Caroline | 5.00 | 1,236,554 | 1,200,000 | 1,200,000 |
| Carroll | 5.00 | 9,154,578 | 8,000,000 | 8,000,000 |
| Cecil | 4.10 | 4,418,309 | 4,200,000 | 4,000,000 |
| Charles | 5.00 | 9,500,396 | 10,000,000 | 10,000,000 |
| Dorchester | 5.00 | 1,921,225 | 1,781,386 | 1,849,386 |
| Frederick | 6.00 | 10,686,142 | 10,442,200 | 10,442,200 |
| Garrett | 3.50 | 2,037,153 | 1,950,000 | 2,200,000 |
| Harford | 3.30 | 10,236,128 | 8,935,000 | 10,200,000 |
| Howard | 2.50 | 15,267,362 | 15,500,000 | 17,000,000 |
| Kent | 3.30 | 968,716 | 995,000 | 700,000 |
| Montgomery | 3.45 | 44,934,687 | 60,015,000 | 60,198,000 |
| Prince George’s | 2.50 | 27,028,937 | 26,065,800 | 24,587,100 |
| Queen Anne’s | 4.95 | 2,489,560 | 2,650,000 | 2,650,000 |
| St. Mary’s | 4.00 | 4,974,956 | 4,900,000 | 5,000,000 |
| Somerset | 3.30 | 556,498 | 318,000 | 400,000 |
| Talbot | 6.00 | 2,934,335 | 3,200,000 | 5,650,000 |
| Washington | 3.80 | 3,933,626 | 4,550,000 | 4,550,000 |
| Wicomico | 3.50 | 2,590,719 | 2,770,000 | 2,134,000 |
| Worcester | 3.30 | 6,195,293 | 5,250,000 | 5,750,000 |
| **Total** | | **$237,937,276** | **$247,521,078** | **$257,625,765** |

Source: Department of Legislative Services

**Exhibit 14**
**Estimated Recordation Tax Revenue Increase**
**Indemnity Mortgages**

| County | Fiscal 2013 |
|---|---|
| Allegany* | $107,000 |
| Anne Arundel | 2,925,000 |
| Baltimore City | 400,000 |
| Baltimore | 2,100,000 |
| Calvert* | 550,000 |
| Caroline | 100,000 |
| Carroll* | 800,000 |
| Cecil | 2,195,000 |
| Charles* | 1,000,000 |
| Dorchester* | 185,000 |
| Frederick | 5,000,000 |
| Garrett* | 220,000 |
| Harford* | 1,020,000 |
| Howard | 2,903,000 |
| Kent* | 70,000 |
| Montgomery | 15,000,000 |
| Prince George's | 2,500,000 |
| Queen Anne's* | 500,000 |
| St. Mary's | 500,000 |
| Somerset* | 40,000 |
| Talbot* | 565,000 |
| Washington* | 455,000 |
| Wicomico | 350,000 |
| Worcester | 250,000 |
| **Total** | **$39,735,000** |

*Based on 10% increase over estimated fiscal 2012 recordation tax revenues.
Source: Maryland Association of Counties; Department of Legislative Services

**Retirement Payments for Federally Funded Positions**

**Provision in the Bill:** Repeals the requirement that local school boards reimburse the State for teachers' retirement expenses that are accrued for personnel who are paid with federal funds.

**Agency:** Maryland State Department of Education

**Type of Action:** Local relief

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** | **FY 2016** | **FY 2017** |
| GF Rev | $0 | ($37.1) | ($37.5) | ($37.8) | ($38.2) | ($38.6) |

**State Effect:** Discontinuing reimbursements to the State for retirement expenses of school board employees who are paid with federal funds results in a general fund revenue decrease of $37.1 million in fiscal 2013. Assuming modest annual growth in federally funded school board personnel, the annual decrease in general funds grows accordingly, reaching $38.6 million in fiscal 2017.

**Local Effect:** Local school boards are relieved of annual reimbursement payments to the State equivalent to the amount diverted from State general funds. Local school systems use federal funds to reimburse the State and will instead be able to redirect the federal funds to other eligible uses. The relief for each local school system will reflect the retirement expenses associated with federally funded school board employees in each county. An estimate of the fiscal 2013 savings for each local school system is shown in Appendix C5.

**Program Description:** Virtually all public school teachers, principals, and certain other public school employees (including teacher aides, school psychologists, and registered nurses) must be members of the Teachers' Retirement System or the Teachers' Pension System as a condition of employment. The State pays, on behalf of each local board of education, the entire cost of the pension benefits for eligible school personnel; however, local school systems must reimburse the State for retirement expenses that are accrued for personnel who are paid with federal funds.

**Recent History:** The Bridge to Excellence in Public Schools Act of 2002 eliminated local school system reimbursements for the costs of teacher pensions for school employees who were paid with categorical State aid. However, school systems continue to reimburse the State for pension costs associated with federally funded positions. In recent years, the reimbursements have ranged from $25.5 million in fiscal 2007 to $40.8 million in fiscal 2011. Local school systems reimbursed the State $7.9 million in the first quarter of fiscal 2012.

**Location of Provision(s) in the Bill:** Section 6 (p. 44)

Analysis prepared by: Scott P. Gates

## Local Income Tax Reserve Account

**Provision in the Bill:** Repeals the requirement that the Comptroller redirect $36,677,863 annually in local income tax revenues to the local income tax reserve account from fiscal 2013 through 2022. Counties will receive their full income tax revenues, and the account will not be replenished.

**Agency:** Comptroller

**Type of Action:** Local relief

**State Effect:** Although the balance of funds in the local income tax reserve account will be diminished, State finances are not directly affected.

**Local Effect:** Local income tax revenues increase by $36.7 million annually from fiscal 2013 through 2022. Under current law, local income tax revenues for each county and Baltimore City will be redirected to the local income tax reserve account in proportion to total county income taxes attributable to each jurisdiction for the most recent tax year in which returns have been filed. This provision forgives the payments to the reserve account, thereby increasing county revenues. The county-by-county impact of this provision is shown in Appendix C5.

**Program Description:** The local income tax reserve account is used to manage the cash flow of personal income tax payments and distributions to local governments. It is administered by the Comptroller's Office. The account is also used to meet the State's liability for local income taxes according to generally accepted accounting principles (GAAP). Each month, a portion of personal income tax net receipts is put into the account representing an estimate of local income tax payments. The account balance fluctuates throughout the year but was $1.9 billion at the end of January 2012, consisting of a cash balance of $960.5 million and receivables of $921.7 million. Repealing the requirement to repay the $366.8 million transferred out of the account in fiscal 2009 will lower the receivables and the balance of the account by that amount. It will also create an unfunded liability in the account that will be reflected in the State's financial statements. The account will retain sufficient funds to make regular distributions of local income tax revenues to the counties.

**Recent History:** A provision in the Budget Reconciliation and Financing Act of 2009 (Chapter 487) required the Comptroller to transfer $366,778,631 from the local income tax reserve account to the State's general fund by June 30, 2009. The balance that was transferred represented a reserve required by GAAP. To replenish the account, Chapter 487 also required the Comptroller to distribute $36,677,863 annually in local income tax revenues to the account from fiscal 2013 through 2022 and to reduce the total amount of income tax revenues distributed to local jurisdictions by a corresponding amount.

**Location of Provision(s) in the Bill:** Section 1 (pp. 29-30)

Analysis prepared by: Scott P. Gates

**Developmental Disabilities Trust Fund**

**Provision in the Bill:** Creates the Developmental Disabilities Trust Fund as a special, nonlapsing fund consisting of any unspent general funds appropriated in the Community Services Program within the Developmental Disabilities Administration (DDA), money appropriated in the State budget to the fund, and any other money from any other source accepted for the benefit of the fund. The fund may only be used to provide (1) community-based services to individuals with developmental disabilities; (2) in-service training for direct care staff at developmental disability providers; (3) enhanced services and service coordination for individuals with developmental disabilities; and (4) grants consistent with the purpose of the fund. The Secretary of Health and Mental Hygiene administers the fund, and expenditures from the fund may only be made in accordance with the State budget.

**Agency:** Department of Health and Mental Hygiene

**Type of Action:** Budget policy

**Fiscal Impact:** Establishing the Developmental Disabilities Trust Fund is not expected to affect overall spending for developmental disabilities services and programs.

**Program Description:** DDA provides direct services 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.

**Recent History:** During the fiscal 2011 budget closeout, DDA reverted $25.7 million in prior year general fund appropriations. The Department of Health and Mental Hygiene has advised that these funds have likely been accruing for the past several years. However, it is not clear how many years DDA accumulated general fund balances and did not appropriately report this in closeout documents. An additional $0.8 million in special funds was cancelled in fiscal 2011 as DDA failed to utilize monies available under the Waiting List Equity Fund. The Developmental Disabilities Trust Fund would ensure that DDA keeps all its resources and has the opportunity to spend any surplus funds in future years.

**Location of Provision(s) in the Bill:** Section 1 (pp. 19-20)

Analysis prepared by: Erin K. McMullen

**Community Right-to-Know Fund**

**Provisions in the Bill:** Expand the authorized uses of the Community Right-to-Know Fund within the Maryland Department of the Environment (MDE) to include MDE emergency response activities. The bill also repeals the provision that *requires* MDE to use 50% of the money in the fund to provide grants to local emergency planning committees; instead, MDE is *authorized* to do so.

**Agency:** Maryland Department of the Environment

**Type of Action:** Special fund flexibility; fund swap

**Fiscal Impact:** This provision does not materially affect State finances, as discussed below.

**State Effect:** Potential minimal decrease in general fund expenditures in future years. MDE advises that this provision is intended to provide flexibility with the use of this special fund and will guard against potential cost increases or underattainment of other special fund revenues. To the extent MDE uses the bill's authority to fund State-level emergency planning activities with the Community Right-to-Know Fund, it could reduce the need to provide other special funds or general funds for those activities in the future.

Although under current law MDE is required to use 50% of the money in the fund to provide grants to local emergency planning committees, the proposed fiscal 2013 State budget funds local grants at about $200,000 below the required 50% allocation. The proposed reduction in local grants is not contingent upon the enactment of this bill, however.

The proposed fiscal 2013 State budget assumes the collection of $350,000 in special fund revenues. The proposed budget includes $269,461 in spending from the fund, and the projected fiscal 2013 ending balance of the fund is $297,472.

**Local Effect:** Local grant revenues may decrease in future years to the extent MDE provides fewer grant awards to local emergency planning committees, as authorized by the bill. As described above, the reduction in local grants is already assumed in the proposed fiscal 2013 State budget, despite the requirement under current law that MDE use 50% of the money in the fund for this purpose.

**Program Description:** Chapter 434 of 2002 established the Community Right-to-Know Fund within MDE to be used for emergency planning, enforcement, data collection, and other activities related to chemicals and hazardous substances. Facilities that manufacture, store, and use hazardous or toxic chemicals and that are subject to the federal Emergency Planning and Community Right-to-Know Act must report certain information regarding these substances to MDE. Those facilities must also pay a fee which is deposited into the Community Right-to-Know Fund. MDE must use 50% of the money in the fund to provide grants to local emergency planning committees.

Revenue to the fund is anticipated to total $350,000 in fiscal 2013; with a beginning fund balance of $216,933, a total of $566,933 is available in fiscal 2013, but the proposed budget anticipates spending of $269,461 in fiscal 2013.

**Location of Provision(s) in the Bill:** Section 1 (pp. 17-18)

Analysis prepared by: Lesley G. Cook

**State Recycling Trust Fund**

**Provision in the Bill:** Broadens the authorized uses of the State Recycling Trust Fund to include the purposes of the Land Management Administration within the Maryland Department of the Environment (MDE). Under current law, MDE may use the fund to carry out the purposes of the Office of Recycling, which is one division within the Land Management Administration.

**Agency:** Maryland Department of the Environment

**Type of Action:** Special fund flexibility; fund swap

**Fiscal Impact:** This provision does not materially affect State finances, as discussed below.

**State Effect:** Potential minimal decrease in general fund expenditures in future years. MDE advises that this provision is intended to provide flexibility with the use of this special fund and will guard against potential cost increases or underattainment of other special fund revenues in the Land Management Administration. To the extent MDE uses the bill's authority to fund activities beyond those conducted by the Office of Recycling with this special fund, it could reduce the need to provide other special funds or general funds for those activities. The proposed fiscal 2013 State budget assumes the collection of $220,000 in special fund revenues. The proposed budget includes $442,708 in spending from the fund, and the projected fiscal 2013 ending balance of the fund is $466,113.

**Local Effect:** Although there is no direct local effect, to the extent MDE spends more on State activities and less on local government recycling grants, local grant revenues decline.

**Program Description:** MDE's Land Management Administration protects human health and preserves and restores the State's land and water resources by reducing the quantity and toxicity of generated wastes through recycling and source reduction, ensuring the control and proper disposal of waste, managing lead paint compliance, assuring that oil is handled in an environmentally safe manner, and overseeing the remediation of contaminated sites for viable economic development. The Office of Recycling, which is one division within the Land Management Administration, assists counties in developing recycling plans, coordinates the State's efforts to facilitate the implementation of recycling goals at the county level, reviews recycling plans submitted by counties, and administers the Statewide Electronics Recycling Program.

The State Recycling Trust Fund consists of revenues generated from the newsprint recycling incentive fee, the telephone directory recycling incentive fee, the covered electronic device manufacturer registration fee, the mercury switch or mercury switch assembly removal fees, and related fines and penalties. Revenue from these sources is projected to total $220,000 in fiscal 2013. The fund may be used only to provide grants to counties and municipalities for specified recycling activities and to carry out the purposes of the Office of Recycling. At the end of each fiscal year, unspent funds beyond $2 million revert to the general fund.

**Location of Provision(s) in the Bill:** Section 1 (p. 18)

Analysis prepared by: Lesley G. Cook

# Appendix B

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| **GENERAL FUND REVENUES** | | | | | | |
| **Fund Balance Transfers** | | | | | | |
| Baltimore City Community College | 1,800,000 | | | | | |
| Helicopter Replacement Fund | 1,000,000 | | | | | |
| Transfer Tax Revenues | | 96,870,649 | | | | |
| Injured Workers' Insurance Fund | | 50,000,000 | | | | |
| Waterway Improvement Fund | | 2,611,000 | | | | |
| Correctional Enterprises Revolving Fund | | 500,000 | | | | |
| Spinal Cord Injury Research Trust Fund | | 500,000 | | | | |
| Board of Occupational Therapy Practice | | 241,036 | | | | |
| State Insurance Trust Fund | | 206,000 | | | | |
| Not-for-Profit Development Center Program Fund | | 111,063 | | | | |
| Board of Examiners for Audiologists and SLPs | | 96,350 | | | | |
| Board of Podiatric Medical Examiners | | 79,356 | | | | |
| Division of State Documents | | 50,000 | | | | |
| Board of Morticians and Funeral Directors | | 9,788 | | | | |
| ***Subtotal – Fund Balance Transfers*** | ***2,800,000*** | ***151,275,242*** | ***0*** | ***0*** | ***0*** | ***0*** |
| | | | | | | |
| **General Fund Revenue Enhancements** | | | | | | |
| Administrative Hearings Fees | 41,048 | 497,500 | 502,500 | 507,525 | 512,600 | 517,725 |
| Income Tax Phase out of Itemized Deductions | | 129,307,000 | 82,643,000 | 83,405,000 | 84,230,000 | 85,168,000 |
| Income Tax Reduction of Personal Exemptions | | 66,842,000 | 45,995,000 | 46,541,000 | 47,104,000 | 47,741,000 |
| Sales Tax on Remote Sellers | | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| Tax on Other Tobacco Products | | 18,687,500 | 17,847,000 | 18,343,900 | 18,849,700 | 19,364,400 |
| Maintain 5% Lottery Agent Commissions | | 8,800,000 | 9,020,000 | 9,245,500 | 9,476,638 | 9,713,554 |
| Eliminate Property Tax Credits for Telecom Companies | | 7,428,400 | 7,651,300 | 7,880,800 | 8,321,700 | 8,571,400 |
| Sales Tax on Digital Downloads | | 5,450,904 | 5,614,432 | 5,782,865 | 5,956,351 | 6,135,042 |
| Repeal Maryland-mined Coal Tax Credits | | 4,500,000 | 6,000,000 | 6,000,000 | 3,000,000 | 3,000,000 |
| Sales Tax on Precious Metal Coins | | 2,900,000 | 2,900,000 | 2,900,000 | 2,900,000 | 2,900,000 |
| Sales Tax on Resale of Mobile Homes | | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| Vital Records Fees | | 738,540 | 760,692 | 783,516 | 807,024 | 831,240 |
| Sales Tax on Cylinder Demurrage | | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 |
| Reduce Abandoned Property Administrative Costs | | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| ***Subtotal – Revenue Enhancements*** | ***41,048*** | ***267,751,844*** | ***201,533,924*** | ***203,990,106*** | ***203,758,013*** | ***206,542,361*** |

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| **Dedicated Revenue Relief** | | | | | | |
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund | | 8,000,000 | | | | |
| ***Subtotal – Dedicated Revenue Relief*** | ***0*** | ***8,000,000*** | ***0*** | ***0*** | ***0*** | ***0*** |
| **Foregone General Fund Revenues for Local Relief** | | | | | | |
| Reimbursement for Federally Funded School Employees | | (37,099,999) | (37,470,999) | (37,845,709) | (38,224,166) | (38,606,408) |
| ***Subtotal – Redirected General Funds*** | ***0*** | ***(37,099,999)*** | ***(37,470,999)*** | ***(37,845,709)*** | ***(38,224,166)*** | ***(38,606,408)*** |
| **TOTAL GENERAL FUND REVENUES** | **2,841,048** | **389,927,087** | **164,062,925** | **166,144,397** | **165,533,847** | **167,935,953** |
| **SPECIAL FUND REVENUES** | | | | | | |
| Nursing Facilities Quality Assessment Increase | | 11,457,406 | 11,801,128 | 12,155,162 | 12,519,817 | 12,895,412 |
| Adult and Elderly Day Care Assessment | | 6,863,894 | 7,069,810 | 7,281,904 | 7,500,362 | 7,725,372 |
| Transportation Trust Fund via Telecom Tax Credit Repeal | | 1,586,900 | 1,634,500 | 1,683,500 | 1,529,500 | 1,575,400 |
| Higher Education Investment Fund via Telecom Tax Credit Repeal | | 575,400 | 592,700 | 610,500 | 628,800 | 647,700 |
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund | | (8,000,000) | | | | |
| **TOTAL SPECIAL FUND REVENUES** | **0** | **12,483,600** | **21,098,138** | **21,731,066** | **22,178,479** | **22,843,884** |
| **FEDERAL FUND REVENUES** | | | | | | |
| Nursing Facilities Quality Assessment Increase | | 3,747,752 | 3,860,184 | 3,975,990 | 4,095,270 | 4,218,128 |
| Adult and Elderly Day Care Assessment | | 3,431,947 | 3,534,905 | 3,640,952 | 3,750,181 | 3,862,686 |
| Medicaid Hold on Nursing Home Beds for Hospitalization | | (2,550,000) | (2,626,500) | (2,705,295) | (2,786,454) | (2,870,048) |
| Medicaid Savings from Disproportionate Share Hospital Payment | | (9,100,000) | (9,373,000) | (9,654,190) | (9,943,816) | (10,242,130) |
| **TOTAL FEDERAL FUND REVENUES** | **0** | **(4,470,302)** | **(4,604,411)** | **(4,742,543)** | **(4,884,819)** | **(5,031,364)** |
| **GENERAL FUND EXPENDITURES** | | | | | | |
| ***Fund Swaps and Cost Shifts*** | | | | | | |
| County Payments for Local Employee Retirement Costs | | (239,317,192) | (308,289,031) | (333,511,521) | (349,237,930) | (358,421,290) |
| Cigarette Restitution Funds for Medicaid | | (14,688,143) | (14,688,143) | (14,688,143) | (14,688,143) | (14,688,143) |
| CareFirst Subsidy for Mental Health Services | | (6,247,276) | | | | |
| Nursing Facility Assessments for Medicaid | | (5,520,840) | (5,686,465) | (5,857,059) | (6,032,771) | (6,213,754) |
| Speed Monitoring System Revenues for State Police | | (4,173,658) | (7,327,176) | (6,687,985) | (9,071,182) | (8,466,361) |
| Adult and Elderly Day Care Assessments for Medicaid | | (3,431,947) | (3,534,905) | (3,640,952) | (3,750,181) | (3,862,686) |
| Senior Prescription Drug Program for Kidney Disease | | (2,000,000) | | | | |
| Small, Minority, Women-Owned Business Acct for Education Aid | | (1,867,000) | | | | |
| MD Heritage Areas Grants for Planning Administration | | (1,150,000) | | | | |
| Higher Education Investment Funds for Higher Education | | (630,000) | (592,700) | (610,500) | (628,800) | (647,700) |
| Fair Campaign Financing Fund for Campaign Finance System | | (413,000) | | | | |
| ***Subtotal – Fund Swaps and Cost Shifts*** | ***0*** | ***(279,439,056)*** | ***(340,118,420)*** | ***(364,996,160)*** | ***(383,409,007)*** | ***(392,299,934)*** |

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| ***Mandate relief*** | | | | | | |
| Transfer Tax Repayment | | (50,000,000) | (40,000,000) | | | |
| Police Aid Formula | | (21,420,535) | (22,088,918) | (22,764,018) | (23,445,918) | (24,134,618) |
| Miscellaneous Baltimore City Grant | | (3,075,000) | (3,075,000) | (3,075,000) | (3,075,000) | (3,075,000) |
| Local Health Department Grants | | (1,894,001) | (2,193,648) | (2,983,191) | (4,030,125) | (5,186,906) |
| Baltimore City Community College Formula | | (1,659,399) | (2,982,353) | (4,423,596) | (5,802,082) | (7,453,168) |
| Sellinger Formula for Independent Colleges and Universities | | (1,344,148) | (3,542,074) | (7,247,851) | (10,806,009) | (16,515,750) |
| Maryland Tourism Development Board | | (1,000,000) | (1,000,000) | (1,000,000) | (1,000,000) | (1,000,000) |
| Community College ESOL Grants | | (863,774) | (1,318,626) | (1,770,105) | (1,828,135) | (1,848,992) |
| Arts Council | | (344,703) | (869,486) | (1,579,601) | (2,262,506) | (3,016,254) |
| MARBIDCO | | (250,000) | (1,250,000) | | | |
| Cade Formula for Community Colleges | | 3,093,033 | 3,417,198 | (7,742,351) | (31,028,679) | (49,826,549) |
| ***Subtotal – GF Mandate Relief*** | ***0*** | ***(78,758,526)*** | ***(74,902,907)*** | ***(52,585,713)*** | ***(83,278,454)*** | ***(112,057,237)*** |
| | | | | | | |
| ***Cost Control/Deferral Measures*** | | | | | | |
| Medicaid Savings from Disproportionate Share Hospital Payments | | (9,100,000) | (9,373,000) | (9,654,190) | (9,943,816) | (10,242,130) |
| Eliminate Hold on Nursing Home Beds for Hospital Absence | | (2,550,000) | (2,626,500) | (2,705,295) | (2,786,454) | (2,870,048) |
| Cap Increases in Nonpublic Special Education Placement Rates | | (2,102,749) | (2,152,860) | (2,215,647) | (2,277,908) | (2,343,052) |
| Cap Increases in Rates for Residential Child Care Programs | | (1,823,461) | | | | |
| Defer Recalculation of the Geographic Cost of Education Index | | (50,000) | | | (50,000) | 100,000 |
| ***Subtotal – Cost Control Measures*** | ***0*** | ***(15,626,210)*** | ***(14,152,360)*** | ***(14,575,132)*** | ***(15,058,178)*** | ***(15,355,230)*** |
| | | | | | | |
| ***Local Aid Increases*** | | | | | | |
| Disparity Grant | | 19,583,662 | | | | |
| ***Subtotal – Local Aid Increases*** | ***0*** | ***19,583,662*** | ***0*** | ***0*** | ***0*** | ***0*** |
| | | | | | | |
| **TOTAL GENERAL FUND EXPENDITURES** | **0** | **(354,240,131)** | **(429,173,686)** | **(432,157,005)** | **(481,745,639)** | **(519,712,401)** |

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|
| **SPECIAL FUND EXPENDITURES** | | | | | | |
| Transfer Tax Projects | | (96,870,649) | | | | |
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund | | (8,000,000) | | | | |
| Waterway Improvement Fund | | (2,611,000) | | | | |
| Local Horse Racing Impact Grants | | (720,800) | (720,800) | (720,800) | (720,800) | (720,800) |
| 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 | | (111,063) | | | | |
| Local Highway User Revenues | | 158,688 | 156,900 | 161,600 | 146,800 | 151,200 |
| Fair Campaign Financing Fund for Campaign Finance System | | 413,000 | | | | |
| Higher Education Investment Fund for Higher Ed Institutions | | 575,400 | 592,700 | 610,500 | 628,800 | 647,700 |
| Small, Minority, Women-Owned Business Acct for Education Aid | | 1,867,000 | | | | |
| Senior Prescription Drug Program for Kidney Disease | | 2,000,000 | | | | |
| Adult and Elderly Day Care Assessments for Medicaid | | 6,863,894 | 7,069,810 | 7,281,904 | 7,500,362 | 7,725,372 |
| Nursing Facility Assessments for Medicaid | | 11,457,406 | 11,801,128 | 12,155,162 | 12,519,817 | 12,895,412 |
| **TOTAL SPECIAL FUND EXPENDITURES** | **0** | **(85,978,124)** | **18,399,738** | **18,988,366** | **19,574,979** | **20,198,884** |
| | | | | | | |
| **FEDERAL FUND EXPENDITURES** | | | | | | |
| Medicaid Savings from Disproportionate Share Hospital Payments | | (9,100,000) | (9,373,000) | (9,654,190) | (9,943,816) | (10,242,130) |
| Eliminate Hold on Nursing Home Beds for Hospital Absence | | (2,550,000) | (2,626,500) | (2,705,295) | (2,786,454) | (2,870,048) |
| Cap Increases in Rates for Residential Child Care Programs | | (447,795) | | | | |
| Adult and Elderly Day Care Assessments for Medicaid | | 3,431,947 | 3,534,905 | 3,640,952 | 3,750,181 | 3,862,686 |
| Nursing Facility Assessments for Medicaid | | 3,747,752 | 3,860,184 | 3,975,990 | 4,095,270 | 4,218,128 |
| **TOTAL FEDERAL FUND EXPENDITURES** | **0** | **(4,918,097)** | **(4,604,411)** | **(4,742,543)** | **(4,884,819)** | **(5,031,364)** |

**Appendix C1**
**Fiscal 2013 County Pension Costs Under Budget Reconciliation and Financing Act of 2012**
**($ in Thousands)**

| County | Schools | Libraries | Community Colleges | Total County Pension Costs |
|---|---|---|---|---|
| Allegany | $2,463 | $35 | $393 | $2,891 |
| Anne Arundel | 19,032 | 321 | 997 | 20,349 |
| Baltimore City | 21,398 | 496 | 0 | 21,894 |
| Baltimore | 26,089 | 528 | 1,567 | 28,185 |
| Calvert | 4,696 | 87 | 88 | 4,871 |
| Caroline | 1,315 | 32 | 56 | 1,402 |
| Carroll | 6,633 | 188 | 199 | 7,020 |
| Cecil | 4,073 | 89 | 122 | 4,284 |
| Charles | 6,518 | 77 | 292 | 6,887 |
| Dorchester | 1,087 | 16 | 48 | 1,152 |
| Frederick | 9,759 | 188 | 335 | 10,282 |
| Garrett | 1,101 | 24 | 85 | 1,210 |
| Harford | 9,156 | 288 | 380 | 9,824 |
| Howard | 16,262 | 398 | 566 | 17,226 |
| Kent | 606 | 13 | 22 | 641 |
| Montgomery | 45,085 | 0 | 2,322 | 47,407 |
| Prince George’s | 32,379 | 473 | 1,211 | 34,063 |
| Queen Anne’s | 1,831 | 30 | 61 | 1,922 |
| St. Mary’s | 4,116 | 73 | 99 | 4,288 |
| Somerset | 795 | 16 | 24 | 835 |
| Talbot | 1,041 | 32 | 54 | 1,126 |
| Washington | 5,123 | 101 | 306 | 5,530 |
| Wicomico | 3,599 | 47 | 161 | 3,807 |
| Worcester | 2,106 | 53 | 64 | 2,222 |
| **Total** | **$226,263** | **$3,604** | **$9,451** | **$239,317** |

## Appendix C2
## Fiscal 2013 to 2017 County Pension Costs Under Budget Reconciliation and Financing Act of 2012
## ($ in Thousands)

| County | Fiscal 2013 | Fiscal 2014 | Fiscal 2015 | Fiscal 2016 | Fiscal 2017 |
|---|---|---|---|---|---|
| Allegany | $2,891 | $3,729 | $4,040 | $4,237 | $4,355 |
| Anne Arundel | 20,349 | 26,218 | 28,367 | 29,709 | 30,494 |
| Baltimore City | 21,894 | 28,187 | 30,475 | 31,893 | 32,712 |
| Baltimore | 28,185 | 36,316 | 39,297 | 41,160 | 42,253 |
| Calvert | 4,871 | 6,273 | 6,784 | 7,101 | 7,286 |
| Caroline | 1,402 | 1,807 | 1,954 | 2,047 | 2,100 |
| Carroll | 7,020 | 9,041 | 9,779 | 10,239 | 10,506 |
| Cecil | 4,284 | 5,518 | 5,968 | 6,249 | 6,412 |
| Charles | 6,887 | 8,872 | 9,599 | 10,052 | 10,317 |
| Dorchester | 1,152 | 1,484 | 1,605 | 1,681 | 1,725 |
| Frederick | 10,282 | 13,243 | 14,325 | 14,999 | 15,392 |
| Garrett | 1,210 | 1,560 | 1,688 | 1,769 | 1,816 |
| Harford | 9,824 | 12,655 | 13,691 | 14,336 | 14,713 |
| Howard | 17,226 | 22,188 | 24,001 | 25,130 | 25,788 |
| Kent | 641 | 826 | 893 | 935 | 960 |
| Montgomery | 47,407 | 61,078 | 66,084 | 69,210 | 71,041 |
| Prince George’s | 34,063 | 43,877 | 47,464 | 49,699 | 51,003 |
| Queen Anne’s | 1,922 | 2,476 | 2,678 | 2,804 | 2,877 |
| St. Mary’s | 4,288 | 5,522 | 5,973 | 6,253 | 6,416 |
| Somerset | 835 | 1,076 | 1,164 | 1,218 | 1,250 |
| Talbot | 1,126 | 1,450 | 1,569 | 1,643 | 1,687 |
| Washington | 5,530 | 7,126 | 7,711 | 8,076 | 8,291 |
| Wicomico | 3,807 | 4,905 | 5,306 | 5,557 | 5,703 |
| Worcester | 2,222 | 2,862 | 3,096 | 3,241 | 3,326 |
| **Total** | **$239,317** | **$308,289** | **$333,512** | **$349,238** | **$358,421** |

## Appendix C3
## Impact of Budget Reconciliation and Financing Act on Fiscal 2013 Direct Aid to Counties and Municipalities
## ($ in Thousands)

| County | Police Aid | Program Open Space* | Miscellaneous Grant | Horse Racing Revenues | Highway User Revenues | Disparity Grants** | Total |
|---|---|---|---|---|---|---|---|
| Allegany | ($344) | ($151) | $0 | $0 | $1 | $1,632 | $1,138 |
| Anne Arundel | (2,466) | (1,634) | 0 | (195) | 3 | 0 | (4,293) |
| Baltimore City | 35 | (1,081) | (3,075) | (351) | 129 | 6,973 | 2,629 |
| Baltimore | (3,569) | (1,838) | 0 | (29) | 4 | 0 | (5,432) |
| Calvert | (258) | (163) | 0 | 0 | 1 | 0 | (420) |
| Caroline | (118) | (71) | 0 | 0 | 0 | 685 | 497 |
| Carroll | (556) | (365) | 0 | 0 | 1 | 0 | (919) |
| Cecil | (360) | (189) | 0 | 0 | 1 | 0 | (548) |
| Charles | (485) | (334) | 0 | 0 | 1 | 0 | (818) |
| Dorchester | (138) | (62) | 0 | 0 | 1 | 309 | 110 |
| Frederick | (832) | (386) | 0 | 0 | 2 | 0 | (1,216) |
| Garrett | (80) | (76) | 0 | 0 | 1 | 406 | 251 |
| Harford | (1,025) | (546) | 0 | 0 | 2 | 0 | (1,569) |
| Howard | (1,253) | (971) | 0 | (49) | 1 | 0 | (2,272) |
| Kent | (75) | (46) | 0 | 0 | 0 | 0 | (120) |
| Montgomery | (5,494) | (2,461) | 0 | 0 | 4 | 0 | (7,950) |
| Prince George’s | (2,457) | (2,092) | 0 | (97) | 4 | 7,629 | 2,987 |
| Queen Anne’s | (155) | (99) | 0 | 0 | 1 | 0 | (254) |
| St. Mary’s | (348) | (185) | 0 | 0 | 1 | 0 | (532) |
| Somerset | (91) | (44) | 0 | 0 | 0 | 382 | 247 |
| Talbot | (161) | (105) | 0 | 0 | 0 | 0 | (265) |
| Washington | (535) | (287) | 0 | 0 | 1 | 0 | (822) |
| Wicomico | (418) | (191) | 0 | 0 | 1 | 1,568 | 960 |
| Worcester | (239) | (188) | 0 | 0 | 1 | 0 | (426) |
| **Total** | **($21,421)** | **($13,565)** | **($3,075)** | **($721)** | **$159** | **$19,584** | **($19,039)** |

*The proposed FY 2013 capital budget includes approximately $4.5 million in GO bond replacement funding. The *Capital Improvement Program* includes a plan to replace the remaining funds in fiscal 2014 and 2015.

**County allocations reflect the Administration’s proposed distribution, which was set with the goal of offsetting county pension costs when combined with other provisions in the bill.

**Appendix C4**
**Impact of Budget Reconciliation and Financing Act on Fiscal 2013 Direct State Aid**
**($ in Thousands)**

| County | County and Municipal Aid | Community Colleges ESOL Grants | Community Colleges Cade Formula | Local Health Departments | Total Impact on Direct Aid to Local Entities |
|---|---|---|---|---|---|
| Allegany | $1,138 | ($1) | $73 | ($44) | $1,166 |
| Anne Arundel | (4,293) | (40) | 597 | (160) | (3,896) |
| Baltimore City | 2,629 | 0 | 0 | (339) | 2,291 |
| Baltimore | (5,432) | 5 | 32 | (223) | (5,618) |
| Calvert | (420) | 0 | 21 | (20) | (419) |
| Caroline | 497 | (11) | 76 | (26) | 536 |
| Carroll | (919) | (4) | 157 | (61) | (827) |
| Cecil | (548) | 5 | 93 | (40) | (490) |
| Charles | (818) | 0 | 69 | (50) | (799) |
| Dorchester | 110 | (10) | 65 | (21) | 145 |
| Frederick | (1,216) | 55 | 258 | (75) | (978) |
| Garrett | 251 | 0 | 30 | (21) | 260 |
| Harford | (1,569) | 5 | 276 | (87) | (1,374) |
| Howard | (2,272) | 19 | 35 | (63) | (2,282) |
| Kent | (120) | (4) | 30 | (16) | (110) |
| Montgomery | (7,950) | (732) | 945 | (163) | (7,900) |
| Prince George’s | 2,987 | (35) | (160) | (259) | 2,533 |
| Queen Anne’s | (254) | (12) | 83 | (20) | (203) |
| St. Mary’s | (532) | 0 | 23 | (40) | (549) |
| Somerset | 247 | (5) | 16 | (21) | 237 |
| Talbot | (265) | (11) | 73 | (16) | (219) |
| Washington | (822) | 7 | 156 | (68) | (727) |
| Wicomico | 960 | (35) | 104 | (46) | 982 |
| Worcester | (426) | (14) | 41 | (16) | (415) |
| **Total** | **($19,039)** | **($819)** | **$3,093** | **($1,894)** | **($18,659)** |

# Appendix C5
# Fiscal 2013 Local Relief in Budget Reconciliation and Financing Act
# ($ in Thousands)

| County | Payments Forgiven: Retirement Reimbursements | Payments Forgiven: Local Income Tax Reserve Account | Recordation Tax on Indemnity Mortgages | Income Tax Phase Out of Exemptions | Income Tax Limitations on Deductions | Total Local Relief |
|---|---|---|---|---|---|---|
| Allegany | $554 | $245 | $107 | $93 | $171 | $1,170 |
| Anne Arundel | 2,654 | 3,356 | 2,925 | 4,012 | 6,925 | 19,872 |
| Baltimore City | 6,010 | 2,105 | 400 | 1,322 | 2,982 | 12,818 |
| Baltimore | 4,398 | 4,840 | 2,100 | 4,244 | 9,466 | 25,047 |
| Calvert | 517 | 554 | 550 | 827 | 1,262 | 3,710 |
| Caroline | 290 | 100 | 100 | 48 | 93 | 632 |
| Carroll | 744 | 1,087 | 800 | 1,449 | 2,110 | 6,189 |
| Cecil | 623 | 441 | 2,195 | 374 | 615 | 4,247 |
| Charles | 726 | 823 | 1,000 | 1,179 | 1,862 | 5,590 |
| Dorchester | 283 | 97 | 185 | 42 | 100 | 706 |
| Frederick | 1,096 | 1,531 | 5,000 | 1,976 | 3,061 | 12,664 |
| Garrett | 276 | 96 | 220 | 37 | 81 | 710 |
| Harford | 1,462 | 1,531 | 1,020 | 1,765 | 2,731 | 8,509 |
| Howard | 996 | 2,918 | 2,903 | 4,605 | 7,468 | 18,890 |
| Kent | 146 | 91 | 70 | 59 | 158 | 524 |
| Montgomery | 6,217 | 10,503 | 15,000 | 13,004 | 27,102 | 71,826 |
| Prince George's | 6,624 | 4,097 | 2,500 | 4,577 | 8,527 | 26,326 |
| Queen Anne's | 289 | 293 | 500 | 359 | 756 | 2,197 |
| St. Mary's | 601 | 636 | 500 | 827 | 1,128 | 3,691 |
| Somerset | 277 | 58 | 40 | 15 | 39 | 428 |
| Talbot | 222 | 209 | 565 | 150 | 455 | 1,600 |
| Washington | 900 | 585 | 455 | 381 | 732 | 3,053 |
| Wicomico | 789 | 376 | 350 | 223 | 430 | 2,168 |
| Worcester | 406 | 107 | 250 | 71 | 169 | 1,003 |
| **Total** | **$37,100** | **$36,678** | **$39,735** | **$41,637** | **$78,419** | **$233,569** |

**Appendix C6**
**Combined Fiscal 2013 Impact of Budget Reconciliation and Financing Act on Local Entities**
**($ in Thousands)**

| County | Direct Local Aid | Additional Tax Revenues | Change in Local Revenues | County Pension Costs | Payments Forgiven | Change in Local Expenses | Revenues Less Expenses |
|---|---|---|---|---|---|---|---|
| Allegany | $1,166 | $371 | $1,537 | $2,891 | ($799) | $2,092 | ($554) |
| Anne Arundel | (3,896) | 13,862 | 9,966 | 20,349 | (6,010) | 14,340 | (4,373) |
| Baltimore City | 2,291 | 4,703 | 6,994 | 21,894 | (8,115) | 13,779 | (6,785) |
| Baltimore | (5,618) | 15,809 | 10,191 | 28,185 | (9,238) | 18,947 | (8,756) |
| Calvert | (419) | 2,638 | 2,219 | 4,871 | (1,072) | 3,799 | (1,580) |
| Caroline | 536 | 242 | 777 | 1,402 | (390) | 1,012 | (235) |
| Carroll | (827) | 4,359 | 3,532 | 7,020 | (1,831) | 5,189 | (1,657) |
| Cecil | (490) | 3,183 | 2,693 | 4,284 | (1,064) | 3,220 | (527) |
| Charles | (799) | 4,041 | 3,242 | 6,887 | (1,549) | 5,338 | (2,096) |
| Dorchester | 145 | 327 | 471 | 1,152 | (380) | 772 | (301) |
| Frederick | (978) | 10,037 | 9,059 | 10,282 | (2,627) | 7,654 | 1,405 |
| Garrett | 260 | 338 | 597 | 1,210 | (372) | 838 | (241) |
| Harford | (1,374) | 5,516 | 4,142 | 9,824 | (2,993) | 6,832 | (2,690) |
| Howard | (2,282) | 14,975 | 12,694 | 17,226 | (3,914) | 13,311 | (617) |
| Kent | (110) | 287 | 177 | 641 | (237) | 404 | (227) |
| Montgomery | (7,900) | 55,106 | 47,206 | 47,407 | (16,720) | 30,687 | 16,519 |
| Prince George's | 2,533 | 15,604 | 18,137 | 34,063 | (10,721) | 23,341 | (5,205) |
| Queen Anne's | (203) | 1,615 | 1,411 | 1,922 | (582) | 1,340 | 71 |
| St. Mary's | (549) | 2,455 | 1,906 | 4,288 | (1,237) | 3,051 | (1,145) |
| Somerset | 237 | 94 | 331 | 835 | (335) | 501 | (170) |
| Talbot | (219) | 1,170 | 950 | 1,126 | (430) | 695 | 255 |
| Washington | (727) | 1,568 | 842 | 5,530 | (1,484) | 4,046 | (3,205) |
| Wicomico | 982 | 1,002 | 1,984 | 3,807 | (1,166) | 2,642 | (658) |
| Worcester | (415) | 490 | 75 | 2,222 | (513) | 1,709 | (1,634) |
| **Total** | **($18,659)** | **$159,791** | **$141,133** | **$239,317** | **($73,778)** | **$165,539** | **($24,407)** |

## Appendix D1
## State Tax Incidence for Limitations on Itemized Deductions, by County

| County | Impacted Returns | Percent of Returns Impacted | State Tax Increase | Percent of Statewide Total Increase | Average State Tax Increase Per Affected Taxpayer |
|---|---|---|---|---|---|
| Allegany | 1,848 | 8.2% | $303,600 | 0.3% | $161 |
| Anne Arundel | 54,775 | 26.6% | 10,076,600 | 11.2% | 180 |
| Baltimore City | 17,095 | 8.6% | 3,448,200 | 3.8% | 197 |
| Baltimore | 57,487 | 18.4% | 12,249,900 | 13.6% | 208 |
| Calvert | 9,974 | 30.1% | 1,502,200 | 1.7% | 147 |
| Caroline | 1,070 | 9.7% | 146,100 | 0.2% | 134 |
| Carroll | 17,024 | 27.1% | 2,548,200 | 2.8% | 146 |
| Cecil | 6,053 | 17.3% | 863,200 | 1.0% | 140 |
| Charles | 14,035 | 25.8% | 1,933,500 | 2.1% | 135 |
| Dorchester | 881 | 7.9% | 151,500 | 0.2% | 168 |
| Frederick | 23,539 | 26.3% | 3,756,200 | 4.2% | 156 |
| Garrett | 789 | 8.1% | 136,700 | 0.2% | 169 |
| Harford | 22,145 | 23.8% | 3,377,500 | 3.8% | 149 |
| Howard | 40,843 | 36.9% | 8,125,700 | 9.0% | 195 |
| Kent | 961 | 14.4% | 194,500 | 0.2% | 198 |
| Montgomery | 119,050 | 30.6% | 29,274,100 | 32.5% | 241 |
| Prince George’s | 51,985 | 15.7% | 6,813,300 | 7.6% | 128 |
| Queen Anne’s | 4,360 | 24.9% | 748,400 | 0.8% | 168 |
| St. Mary’s | 9,938 | 26.2% | 1,435,100 | 1.6% | 141 |
| Somerset | 346 | 5.5% | 52,300 | 0.1% | 148 |
| Talbot | 2,593 | 18.6% | 718,400 | 0.8% | 271 |
| Washington | 6,530 | 12.6% | 1,005,300 | 1.1% | 151 |
| Wicomico | 3,580 | 10.9% | 606,500 | 0.7% | 166 |
| Worcester | 2,421 | 12.1% | 497,400 | 0.6% | 201 |
| **Total** | **469,322** | **21.7%** | **$89,964,400** | | **$188** |

Note: Number and percent of impacted returns is based on tax year 2010. Tax increases are based on tax year 2012.

## Appendix D2
## State Tax Incidence for Reduction/Elimination of Personal Exemptions, by County

| County | Impacted Returns | Percent of Returns Impacted | State Tax Increase | Percent of Statewide Total Increase | Average State Tax Increase Per Affected Taxpayer |
|---|---|---|---|---|---|
| Allegany | 700 | 3.1% | $130,800 | 0.3% | $183 |
| Anne Arundel | 34,188 | 16.6% | 5,323,200 | 11.8% | 152 |
| Baltimore City | 11,486 | 5.8% | 1,538,200 | 3.4% | 131 |
| Baltimore | 32,953 | 10.5% | 5,249,400 | 11.7% | 156 |
| Calvert | 5,476 | 16.5% | 935,600 | 2.1% | 167 |
| Caroline | 351 | 3.2% | 72,900 | 0.2% | 203 |
| Carroll | 8,277 | 13.2% | 1,517,800 | 3.4% | 179 |
| Cecil | 2,607 | 7.5% | 471,900 | 1.0% | 177 |
| Charles | 7,806 | 14.3% | 1,288,600 | 2.9% | 162 |
| Dorchester | 389 | 3.5% | 63,200 | 0.1% | 159 |
| Frederick | 12,533 | 14.0% | 2,142,300 | 4.8% | 167 |
| Garrett | 312 | 3.2% | 58,000 | 0.1% | 182 |
| Harford | 10,872 | 11.7% | 1,891,100 | 4.2% | 170 |
| Howard | 27,732 | 25.1% | 4,389,500 | 9.8% | 155 |
| Kent | 544 | 8.2% | 81,500 | 0.2% | 147 |
| Montgomery | 90,367 | 23.2% | 12,821,100 | 28.5% | 139 |
| Prince George’s | 31,378 | 9.5% | 4,453,500 | 9.9% | 139 |
| Queen Anne’s | 2,365 | 13.5% | 377,700 | 0.8% | 156 |
| St. Mary’s | 5,322 | 14.0% | 912,300 | 2.0% | 168 |
| Somerset | 113 | 1.8% | 22,500 | 0.1% | 195 |
| Talbot | 1,708 | 12.3% | 250,500 | 0.6% | 144 |
| Washington | 2,780 | 5.4% | 498,600 | 1.1% | 175 |
| Wicomico | 1,582 | 4.8% | 274,300 | 0.6% | 170 |
| Worcester | 1,379 | 6.9% | 206,700 | 0.5% | 147 |
| **Total** | **293,220** | **12.0%** | **$44,971,200** | | **$170** |

Note: Number and percent of impacted returns is based on tax year 2010. Tax increases are based on tax year 2012.

**Appendix D3**
**Total State Tax Incidence for Changes to Income Tax, by County**

| County | Impacted Returns | Percent of Returns Impacted | State Tax Increase | Percent of Statewide Total Increase | Average State Tax Increase Per Affected Taxpayer |
|---|---|---|---|---|---|
| Allegany | 1,880 | 8.3% | $433,300 | 0.3% | $225 |
| Anne Arundel | 56,160 | 27.3% | 15,399,600 | 11.4% | 268 |
| Baltimore City | 17,927 | 9.1% | 4,982,100 | 3.7% | 272 |
| Baltimore | 58,871 | 18.8% | 17,491,600 | 13.0% | 291 |
| Calvert | 10,134 | 30.6% | 2,438,900 | 1.8% | 235 |
| Caroline | 1,070 | 9.7% | 218,800 | 0.2% | 200 |
| Carroll | 17,198 | 27.3% | 4,065,400 | 3.0% | 231 |
| Cecil | 6,192 | 17.7% | 1,333,200 | 1.0% | 211 |
| Charles | 14,301 | 26.3% | 3,226,700 | 2.4% | 221 |
| Dorchester | 914 | 8.2% | 214,400 | 0.2% | 229 |
| Frederick | 24,046 | 26.9% | 5,899,500 | 4.4% | 240 |
| Garrett | 789 | 8.1% | 194,400 | 0.1% | 241 |
| Harford | 22,633 | 24.3% | 5,265,200 | 3.9% | 228 |
| Howard | 41,645 | 37.7% | 12,525,200 | 9.3% | 294 |
| Kent | 999 | 15.0% | 275,900 | 0.2% | 270 |
| Montgomery | 123,537 | 31.7% | 42,118,100 | 31.2% | 334 |
| Prince George’s | 53,676 | 16.2% | 11,302,400 | 8.4% | 206 |
| Queen Anne’s | 4,419 | 25.3% | 1,126,900 | 0.8% | 249 |
| St. Mary’s | 10,188 | 26.9% | 2,345,200 | 1.7% | 225 |
| Somerset | 346 | 5.5% | 74,700 | 0.1% | 211 |
| Talbot | 2,672 | 19.2% | 968,800 | 0.7% | 355 |
| Washington | 6,666 | 12.8% | 1,502,200 | 1.1% | 220 |
| Wicomico | 3,647 | 11.1% | 879,200 | 0.7% | 236 |
| Worcester | 2,491 | 12.5% | 703,700 | 0.5% | 276 |
| **Total** | **482,401** | **22.4%** | **$134,985,400** | | **$274** |

Note: Number and percent of impacted returns is based on tax year 2010. Tax increases are based on tax year 2012.