

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1308 (Senator Pipkin, *et al.*)
Budget and Taxation

Budget - Reductions to Appropriations - Level Funding for Fiscal Year 2013

This bill specifies reductions to the fiscal 2013 State budget that was adopted by the General Assembly.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: General fund expenditures decrease by \$305.3 million, special fund expenditures decrease by \$256.5 million, and federal fund expenditures decrease by \$127.3 million in FY 2013 due to the reductions specified in the bill. Federal fund revenues decrease by \$122.2 million due to decreases in the State spending for Medicaid. Future years reflect the ongoing impacts of the bill. **This bill reduces mandated expenditures for education aid.**

(\$ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
FF Revenue	\$122.2	\$125.8	\$129.6	\$133.5	\$137.5
GF Expenditure	\$305.3	\$300.2	\$307.3	\$318.2	\$329.5
SF Expenditure	\$256.5	\$0	\$0	\$0	\$0
FF Expenditure	\$127.3	\$125.8	\$129.6	\$133.5	\$137.5
Net Effect	(\$567.0)	(\$300.2)	(\$307.3)	(\$318.2)	(\$329.5)

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

Local Effect: State aid decreases by \$107.2 million in FY 2013, including \$70.9 million in education aid, \$22.7 million in police aid, and \$13.6 million in local Program Open Space funding. Reductions in education aid continue in future years, and aid for local community colleges decreases beginning in FY 2014.

Small Business Effect: Potential meaningful for small business medical providers that could be affected by reduced Medicaid rates.

Analysis

Bill Summary: Reductions to the fiscal 2013 State budget specified in the bill are shown in **Exhibit 1**.

Exhibit 1 Reductions to Fiscal 2013 Appropriations (\$ in Millions)

<u>Program</u>	<u>GF</u>	<u>SF</u>	<u>FF</u>	<u>All Funds</u>
Reduce Higher Education Funding by 10%	\$77.0	\$0.0	\$0.0	\$77.0
Reduce Medicaid Costs				
Impose Nonemergency Visit Limitations	45.0	0.0	45.0	90.0
Lower Enrollment and Cost Estimates	40.0	0.0	40.0	80.0
Limit Increases in Nonprimary Care Physician Rates	16.0	0.0	16.0	32.0
Reduce Managed Care Organization Rates	15.7	0.0	15.7	31.4
Reduce Nursing Home Rate Increase	5.5	0.0	5.5	11.0
Reduce Per Pupil Education Aid Funding				
State Share of the Foundation Formula	44.8	0.0	0.0	44.8
Compensatory Education	18.9	0.0	0.0	18.9
Students with Disabilities	4.4	0.0	0.0	4.4
Limited English Proficiency	2.9	0.0	0.0	2.9
Reduce Police Aid Formula by 50%	22.7	0.0	0.0	22.7
Eliminate FY 2013 Johns Hopkins Sellinger Grant	12.6	0.0	0.0	12.6
Eliminate Evaluation and Development for Mass Transit	0.0	119.0	0.0	119.0
Reduce Bay Restoration Fund Programs				
Wastewater	0.0	55.5	0.0	55.5
Septic Systems	0.0	8.5	0.0	8.5
Eliminate FY 2013 Funding for Program Open Space				
Department of Natural Resources	0.0	49.2	0.0	49.2
Department of Agriculture	0.0	16.3	0.0	16.3
Eliminate Employee Cost-of-living Adjustments	0.0	8.0	5.1	13.1
Total Reductions	\$305.3	\$256.5	\$127.3	\$689.1

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

The bill makes a statutory change to set the per pupil foundation amount at \$6,650 in fiscal 2013.

Current Law: The General Assembly passed a \$35.3 billion budget for fiscal 2013.

The per pupil foundation amount for fiscal 2013 is \$6,761.

Background: Despite *Sine Die* Conference Committee agreements for bills that would have implemented the full fiscal 2013 budget plan, the General Assembly failed to pass SB 152 (the Budget Reconciliation and Financing Act of 2012) and SB 523 (the State and Local Revenue Financing Act of 2012). The failure of the two bills triggered \$436.0 million in general fund reductions specified in the fiscal 2013 budget bill passed by the legislature. With those reductions, fiscal 2013 appropriations exceed fiscal 2012 legislative appropriations by \$686.9 million, or 2.0%. This bill reduces the fiscal 2013 budget by an additional \$689.1 million, effectively level-funding total appropriations from fiscal 2012 to 2013.

State Fiscal Effect: General fund expenditures decrease by \$305.3 million due primarily to reductions to funding for institutions of higher education, Medicaid, primary and secondary education funding, and the police aid formula. Many of the identified reductions will continue in future years, reducing general fund expenditures by an estimated \$300.2 million in fiscal 2014 and an estimated \$329.5 million in fiscal 2017.

Special fund expenditures decrease by \$265.6 million in fiscal 2013 due primarily to reductions in mass transit funding and reductions in Bay Restoration Fund and Program Open Space spending. Although future support for mass transit could be impacted by the reductions in the bill, the bill would not directly affect special fund expenditures in fiscal 2014 and thereafter.

Federal fund expenditures decrease by \$127.3 million in fiscal 2013 due mostly to \$122.2 million in Medicaid cost reductions. The Medicaid reductions also reduce federal fund Medicaid revenues. It is assumed that the Medicaid savings will continue in future years.

Local Revenues: State aid to local entities decreases by \$107.2 million in fiscal 2013, as shown in **Exhibit 2**. Because statutory changes are not made to the police aid formula and Program Open Space, those reductions would not carry forward into future years. However, the reduction to education aid will set a lower base per pupil amount for fiscal 2013 that will also result in lower aid amounts in future years. In addition, reduced appropriations for public four-year institutions of higher education will result in less funding for local community colleges beginning in fiscal 2014.

Exhibit 2
Fiscal 2013 Decreases in Local Aid by County
(\$ in Thousands)

County	Education Aid	Police Aid	Program Open Space*	Total
Allegany	(\$978)	(\$283)	(\$151)	(\$1,412)
Anne Arundel	(4,464)	(2,162)	(1,634)	(8,260)
Baltimore City	(11,566)	(27)	(1,081)	(12,674)
Baltimore	(8,213)	(3,159)	(1,838)	(13,209)
Calvert	(1,185)	(257)	(163)	(1,605)
Caroline	(608)	(112)	(71)	(791)
Carroll	(2,031)	(522)	(365)	(2,918)
Cecil	(1,473)	(318)	(189)	(1,979)
Charles	(2,274)	(400)	(334)	(3,009)
Dorchester	(469)	(124)	(62)	(656)
Frederick	(3,313)	(746)	(386)	(4,445)
Garrett	(258)	(77)	(76)	(411)
Harford	(3,069)	(893)	(546)	(4,508)
Howard	(3,193)	(1,128)	(971)	(5,292)
Kent	(106)	(65)	(46)	(217)
Montgomery	(8,339)	(4,923)	(2,460)	(15,722)
Prince George's	(12,924)	(5,847)	(2,092)	(20,864)
Queen Anne's	(448)	(133)	(99)	(680)
St. Mary's	(1,368)	(279)	(185)	(1,832)
Somerset	(324)	(81)	(44)	(449)
Talbot	(162)	(132)	(105)	(399)
Washington	(2,242)	(480)	(287)	(3,009)
Wicomico	(1,675)	(333)	(191)	(2,199)
Worcester	(251)	(229)	(188)	(668)
Total	(\$70,933)	(\$22,710)	(\$13,564)	(\$107,208)

*The *Capital Improvement Program* includes a plan to replace the funds with general obligation bonds in fiscal 2014 and 2015.

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

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

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