HB 162

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 162 (The Speaker)(By Request - Administration)
Appropriations

Budget Reconciliation and Financing Act of 2014

This Administration bill executes actions to enhance revenues and reduce future year general fund expenditures.

The bill generally takes effect June 1, 2014.

Fiscal Summary

State Effect: General fund revenues increase by $12.2 million while special fund revenues decline by $8.0 million in FY 2014, primarily due to redirection of revenues that would otherwise accrue to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. General fund revenues increase by $123.2 million in FY 2015 due to transfers and revenue enhancements, while special fund revenues decline by $69.0 million. General fund expenditures decline by $87.4 million in FY 2014 due to a reduction in pension reinvestment payments and a fund swap. In FY 2015, general fund expenditures decline by $106.3 million due to cost shifts, fund swaps, mandate relief, and other actions. Special fund expenditures decline by $304,000 in FY 2014 due to a fund swap and a total of $78.2 million in FY 2015 primarily from shifting transfer tax revenues that would otherwise be spent on Program Open Space (POS) and related programs to the general fund. Federal and nonbudgeted funds are also affected. Future year estimates reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

($ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Revenue	$12.2	$123.2	$8.9	$9.0	$9.1
SF Revenue	($8.0)	($69.0)	($65.3)	($66.4)	($67.5)
FF Revenue	$0	($1.6)	($2.3)	($2.4)	($2.5)
GF Expenditure	($87.4)	($106.3)	($92.0)	($104.0)	($98.5)
SF Expenditure	$.3	($78.2)	($5.9)	($5.4)	($4.8)
FF Expenditure	$0	($5.8)	($6.2)	($5.9)	($5.7)
NonBud Exp.	$0	($1.4)	($1.3)	($1.2)	($1.1)
Net Effect	$91.3	$244.3	$46.7	$56.8	$49.2

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

Local Effect: Local revenues for the POS local share decline by $22.7 million in FY 2015; however, these funds are programmed to be fully replaced with general obligation (GO) bonds as provided in the Governor's proposed FY 2015 capital budget. In FY 2015, direct State aid for community colleges will be $4.6 million less than required under current law but still increases by $10.7 million. As the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is used in part to fund local projects, local government revenues from the trust fund may decrease by as much as $13.2 million in FY 2015 or subsequent years. Of the $100.0 million reduction in mandated retirement reinvestment contributions in FY 2015, about $66.0 million represents State retirement payments on behalf of local school boards, libraries, and community colleges for certain employees who are members of the State Retirement and Pension System.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: A brief overview of the bill's provisions is provided below. In general, the bill's actions enhance revenues and transfer funds, provide mandate relief, implement fund swaps and cost shifts, and control costs.

Revenue Enhancements and Transfers to the General Fund

- Transfers an additional $69.1 million in transfer tax revenues to the general fund in fiscal 2015.
- Transfers $25.8 million from University System of Maryland fund balances to the general fund in fiscal 2015.
- Redirects $8.0 million of short-term vehicle rental revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (trust fund) to the general fund in fiscal 2014 and an additional $3.2 million in fiscal 2015; and transfers $2.4 million of the balance in the trust fund to the general fund in fiscal 2014.
- Decreases lottery agent sales commissions to 5.0% and increases the total amount of bonuses and incentives an agent may receive by 0.5% beginning in fiscal 2015.
- Redirects revenues from the sale of Dauphin 365N helicopters to the general fund in fiscal 2015.
- Transfers $800,000 from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2014.
- Transfers $650,000 from the Biotechnology Investment Tax Credit Reserve Fund to the general fund in fiscal 2014.

- Transfers $300,000 from the Radiation Control Fund to the general fund in fiscal 2014.
- Transfers $125,000 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2015.

Mandate Relief

- Reduces mandated State retirement reinvestment contributions by $100.0 million annually beginning in fiscal 2014.
- Reduces mandated funding for the Senator John A. Cade formula for local community college aid by $4.6 million in fiscal 2015.
- Reduces mandated funding for the Joseph A. Sellinger formula for independent colleges and universities by $3.9 million in fiscal 2015.
- Reduces mandated rural business development and assistance funding for the Maryland Agriculture and Resource-Based Industry Development Corporation (MARBIDCO) by $1.1 million in fiscal 2015.

Fund Swaps and Cost Shifts

- Authorizes the State Department of Assessments and Taxation to use a special administrative fund for costs incurred to administer its Charter Unit beginning in fiscal 2014.
- Requires the Comptroller to annually credit an amount set forth in the State budget from the $7.50 surcharge on certain moving violations to the Maryland State Firemen's Association for the Widows' and Orphans' Fund beginning in fiscal 2014.
- Permanently alters the allocation of the proceeds from Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions in the Maryland Strategic Energy Investment Fund, adds resiliency as an eligible use of the allocation for renewable and clean energy and climate change programs, and increases the cap in the administrative allocation from $4.0 million to $5.0 million beginning in fiscal 2015.

Cost Control Measures

- Requires, for fiscal 2015, that any increase in rates for payments to providers of nonpublic placements take effect January 1, 2015.
- Limits growth in fiscal 2015 rates paid to residential child care providers that have their rates set by the Interagency Rates Committee to no more than 1.5% over the rates in effect on January 15, 2014, and delays the rate increase to January 1, 2015.

Other Provisions

- Authorizes the Department of General Services to use the Maryland Not-For-Profit Development Center Fund to evaluate the participation of not-for-profit entities in State procurement.
- Reduces the assessment on hospital rates dedicated to the Maryland Health Insurance Plan to a maximum of 0.5% of hospital net patient revenue effective October 1, 2014.
- Requires the Health Services Cost Review Commission to establish a Community Partnership Assistance Program to provide funding for hospitals for approved regional or statewide community partnership plans beginning in fiscal 2015.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. The General Assembly cannot add spending to the budget introduced by the Governor, nor can general funds be used to restore reductions made by the General Assembly after adoption of the budget, except through an approved deficiency appropriation in the following year's budget.

Background: The December 2013 Spending Affordability Committee (SAC) report noted that the Bureau of Revenue Estimates (BRE) reduced its general fund estimate for fiscal 2014 by $101.1 million, in part due to distributing an extra $99.5 million to the local income tax reserve account to reduce underfunding of the account. BRE increased the revenue estimate for fiscal 2015 by $143.7 million, reflecting improved income tax revenue and additional sales tax receipts from online sales when the Amazon distribution center in Baltimore opens plus one-time revenues of about $31.0 million.

Taking into consideration these BRE revenue projections, SAC projected a general fund deficit of $188.6 million at the close of fiscal 2014, meaning that the Administration will need to take action to reduce spending or identify additional revenues to balance the current fiscal year. This projected deficit takes into account anticipated spending shortfalls requiring fiscal 2014 deficiency appropriations totaling $264.0 million.

The baseline projection for fiscal 2015 results in an estimated structural deficit of $361.9 million, which is estimated to narrow to $79.9 million in fiscal 2018 when the full impact of authorized gaming revenues is realized. In recognition of this outlook, SAC recommended that the fiscal 2015 budget as introduced and enacted grow at a rate of no more than 4% (as calculated for Spending Affordability purposes) and at the same time resolve at least $125.0 million of the general fund structural gap. This bill implements statutory changes that, combined with the fiscal 2015 budget, accomplish these goals.

State Fiscal Effect: Estimates of the fiscal 2014 and 2015 impact of the bill on the State's general fund are shown in **Exhibit 1**.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2014
Fiscal 2014 and 2015
($ in Millions)

	FY 2014	FY 2015
Revenues		
Transfers	$4.2	$95.1
Revenue Enhancement	8.0	28.1
Revenue Subtotal	*$12.2*	*$123.2*
Expenditures		
Fund Swaps and Cost Shifts	($0.3)	($6.3)
Mandate Relief	(87.1)	(97.9)
Other	(0.0)	(2.2)
Expenditure Subtotal	*($87.4)*	*($106.3)*
General Fund Improvement	**$99.6**	**$229.6**

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

In fiscal 2014, general fund revenues increase by $12.2 million, due to redirection of $8.0 million in revenues from the sales and use tax on short-term vehicle rentals that would otherwise accrue to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund and the transfer of $2.4 million from the trust fund balance, $800,000 from the Maryland Correctional Enterprises Revolving Fund, $650,000 from the Biotechnology Investment Tax Credit Reserve Fund, and $300,000 from the Radiation Control Fund. General fund expenditures decline in fiscal 2014 by a total of $87.4 million, primarily due to an $87.1 million reduction in pension reinvestment payments. In total, the State's general fund position improves by $99.6 million in fiscal 2014.

In fiscal 2015, the State's general fund position improves by $229.6 million, through a combination of transfers, revenue enhancement, fund swaps, cost shifts, and mandate relief. The two-year impact on the general fund sums to $329.1 million.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 7). The fiscal 2014 to 2019 State effects for each provision, including the general fund impacts, the effects on any other fund types, and information about any related contingent actions in the Governor's proposed fiscal 2015 budget are included with the discussions. **Appendix B** (pages 42-43) identifies the fiscal impact of separate provisions by fund type.

Local Fiscal Effect: In fiscal 2015, a total of $22.7 million is transferred from the POS local share. The fiscal 2015 reduction by county resulting from this transfer is shown in

Exhibit 4 on page 15. Under the Administration's budget plan, all of these local funds will be replaced with GO bonds in subsequent years.

In fiscal 2015, direct State aid for community colleges will be $4.6 million less than required under current law but still increases by $10.7 million. Aid will increase in fiscal 2016 and beyond per the formula in statute. The impact of this provision for fiscal 2015 is shown by community college in **Exhibit 6** on page 25.

As the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is used in part to fund local projects, local government revenues from the trust fund may decrease by as much as $13.6 million in fiscal 2015 or subsequent years. Local governments may be affected in fiscal 2015 to the extent the reduction in mandated funding limits MARBIDCO's cost-share support to local government-funded rural business development projects. However, any impact is likely minimal. Local expenditures for nonpublic placements decline by a minimal amount due to deferral of the planned rate increase for payments to providers of nonpublic placements.

Additional Information

Prior Introductions: None.

Cross File: SB 172 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Maryland Department of Agriculture, Department of Business and Economic Development, Department of Budget and Management, Department of Natural Resources, Maryland State Department of Education, Maryland Department of the Environment, Department of Human Resources, Department of General Services, Maryland Higher Education Commission, Independent College and University Association, Maryland State Lottery and Gaming Control Agency, Department of Public Safety and Correctional Services, Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2014
mc/rhh

Analysis by: Jennifer B. Chasse

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Appendix A – Contents

Lottery Agent Sales Commissions

Provisions in the Bill: Decrease lottery agent commissions from 5.5% (6.0% once the Baltimore City video lottery facility opens in September 2014) to 5.0% of gross sales. The amount of total bonuses and incentives that a lottery agent may receive is increased from 0.5% to 1.0% of the gross sales for the year for which the bonuses or incentives are awarded.

Agency: State Lottery and Gaming Control Agency (SLGCA)

Type of Action: General fund revenue enhancement

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$0	$7.3	$8.9	$9.0	$9.1	$9.2

State Effect: General fund revenues increase by $7.3 million in fiscal 2015 due to the reduction in lottery agent commissions and an increase in lottery agent bonuses. The commissions were set to increase from 5.5% to 6.0% once the Baltimore City video lottery facility opens in September 2014. Future years reflect an assumed 1.0% annual increase in State lottery sales.

Program Description: In exchange for selling State lottery products, licensed agents earn a commission, currently set at 5.5% of gross lottery sales. Once the Baltimore City video lottery facility opens in September 2014, the commission increases to 6.0% of gross lottery sales. Additionally, SLGCA may authorize bonuses and incentives up to 0.5% of the gross sales to licensed agents.

Recent History: As part of a cost containment initiative, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) decreased the agent sales commission from 5.5% to 5.0% in fiscal 2010 through 2012. The Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the first special session) kept the commission at 5.0% for fiscal 2013. Chapter 1 of the 2012 second special session increased the commission back to 5.5% effective January 1, 2013, and scheduled the commission to increase to 6.0% once the license was issued to a Baltimore City video lottery facility.

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

Analysis prepared by: Heather N. Ruby

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provisions in the Bill: Redirect $8.0 million of short-term vehicle rental revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2014. An additional $3.2 million in revenues is redirected to the general fund in fiscal 2015. The Governor is authorized to transfer $2.4 million of the balance in the trust fund to the general fund in fiscal 2014.

Agency: Department of Natural Resources (DNR)

Type of Action: Dedicated revenue relief; balance transfer

Fiscal Impact:	($ in millions) **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$10.4	$3.2	$0	$0	$0	$0
SF Rev	($8.0)	($3.2)	$0	$0	$0	$0
SF Exp	$0	($3.2)	$0	$0	$0	$0

State Effect: General fund revenues increase by $10.4 million in fiscal 2014, including $8.0 million from the redirection of revenues from the sales and use tax on short-term vehicle rentals that would otherwise accrue to the trust fund and $2.4 million from the transfer of funds from the trust fund balance. Special fund revenues decline by $8.0 million in fiscal 2014 commensurate with reduced revenues to the trust fund. The fiscal 2014 budget does not appropriate the additional special fund revenues; however, the redirection of revenues and the fund balance transfer will result in less special fund spending in subsequent years.

In fiscal 2015, general fund revenues increase by $3.2 million, with a corresponding decline in special fund revenues and expenditures, due to the redirection of additional revenues from the sales and use tax on short-term vehicle rentals to the general fund. The Governor's proposed fiscal 2015 budget includes $46.4 million for Chesapeake and Coastal Services, but that amount is reduced by $3.2 million contingent on enactment of legislation to allocate trust fund revenue to the general fund. There is no impact after fiscal 2015.

Local Effect: As the trust fund is used in part to fund local projects such as stormwater and watershed restoration projects, local government revenues from the trust fund may decrease by as much as $13.6 million in fiscal 2015 or subsequent years. Although the amount provided to local governments varies each year depending on which projects are funded, from fiscal 2009 through 2014, local governments received approximately 23.2% of the total amount spent from the trust fund (not including local stormwater restoration funding that was funded through general obligation bonds). The fiscal 2014 budget includes $6.0 million from the trust fund for local governments. The Governor's proposed fiscal 2015 budget includes $9.86 million from the trust fund for local governments. However, DNR advises that, in the absence of these provisions, it is likely that nearly all of the transferred funds would have been provided to local governments and nonprofits.

Program Description: The Chesapeake Bay 2010 Trust Fund was established by Chapter 6 of the 2007 special session to provide financial assistance toward meeting, by 2010, the goals established in the Chesapeake 2000 Agreement. The fund is intended to be supplemental to funding that otherwise would be appropriated for bay restoration and may only be used to implement the State tributary strategy developed in accordance with the Chesapeake 2000 Agreement. Financing for the trust fund comes from a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. 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 projected to receive an estimated $50.0 million in annual revenues, but it received less than this amount from fiscal 2009 through 2013 (ranging from $38.2 million to $44.3 million). In fiscal 2014, trust fund revenues are anticipated to reach $52.0 million. In addition, recent budget reconciliation legislation redirected funds from the trust fund to the general fund. **Exhibit 2** provides a summary of the trust fund history through fiscal 2014. Of note, the fiscal 2014 ending balance of $12.1 million reflects that the Administration has not changed its spending plan to account for the anticipated increase in revenues since it anticipates transferring $10.4 million to the general fund as a result of this bill.

Exhibit 2
Fiscal History of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
Under Current Law
Fiscal 2009-2014
($ in Millions)

	2009	2010	2011	2012	2013	2014*
Opening Balance	$0.00	$3.6	$5.8	$3.2	$3.4	$3.4
Revenues	$38.2	$41.5	$43.1	$41.8	$44.3	$52.0
Transfers to the General Fund						
Chapter 414 of 2008	($25.0)					
BRFA of 2009		($21.5)				
BRFA of 2010		($10.5)	($22.1)			
BRFA of 2011			($1.0)	($20.2)	($15.1)	($11.5)
BRFA of 2012					($8.0)	
Subtotal	($25.0)	($32.0)	($23.1)	($20.2)	($23.1)	($11.5)
General Fund Deficiency					$2.8	
Available Revenue	$13.2	$13.1	$25.8	$24.8	$27.4	$43.9
Expenditures						
MDA	$6.9	$3.9	$12.3	$13.2	$14.5	$15.6
MDE	$1.8	$1.7	$2.1	$0.0	$0.0	$0.8
DNR	$0.8	$1.7	$8.2	$10.4	$10.3	$15.5
Subtotal	$9.6	$7.3	$22.6	$23.6	$24.8	$31.8
Cancellations				$2.2	$0.8	
Available Balance	**$3.6**	**$5.8**	**$3.2**	**$3.4**	**$3.4**	**$12.1**

* Fiscal 2014 figures are estimated.

BRFA = Budget Reconciliation and Financing Act. MDA = Maryland Department of Agriculture. MDE = Maryland Department of the Environment. DNR = Department of Natural Resources.

Note: The fiscal 2014 available balance of $12.1 million is an artifact of the timing of the proposed transfers under this bill since the agencies' spending plans for fiscal 2014 would have been adjusted upward had these transfers not been proposed. Under the bill, the projected fiscal 2014 ending balance is approximately $1.7 million. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Prior budget reconciliation legislation in 2011 and 2012 redirects revenues from the trust fund to the general fund for fiscal 2012 through 2016. As a result of these transfers and redirection of revenues from the trust fund and the impact of these provisions, the trust fund is anticipated to have a $1.7 million fund balance by the end of fiscal 2015.

Although this provision reduces funding for the trust fund in fiscal 2015, the proposed fiscal 2015 capital budget includes funding for the trust fund to accelerate progress toward the State's nutrient reduction goals. Specifically, the Governor's proposed fiscal 2015 capital budget includes $25.0 million in general obligation bond funding for the trust fund to implement stormwater infrastructure projects in areas of the State most heavily impacted by prior development.

Location of Provisions in the Bill: Sections 1 and 8 (pp. 11 and 16)

Analysis prepared by: Andrew D. Gray

Transfer Tax Special Fund

Provision in the Bill: Authorizes the transfer of an additional $69,126,554 in transfer tax revenues to the general fund in fiscal 2015.

Agencies: Department of Natural Resources; Maryland Department of Agriculture

Type of Action: Special fund transfer

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$0	$69.1	$0	$0	$0	$0
SF Exp	$0	($69.1)	$0	$0	$0	$0

State Effect: General fund revenues increase by $69.1 million in fiscal 2015 due to the transfer. It is assumed that, without the transfer, these special funds would have been used to support Program Open Space (POS), the Rural Legacy Program, the Maryland Agricultural Land Preservation Foundation (MALPF), and the Heritage Conservation Fund in fiscal 2015. Thus, special fund expenditures decrease by a corresponding amount in fiscal 2015. The Governor's proposed fiscal 2015 budget reduces special fund expenditures for the Department of Natural Resources (DNR) by $51.8 million and the Maryland Department of Agriculture (MDA) by $17.3 million, contingent upon the enactment of legislation crediting transfer tax revenues to the general fund. Current law authorizes the Governor to transfer $75.1 million in transfer tax revenue to the general fund in fiscal 2015. This provision increases the amount that may be transferred by an additional $69.1 million for a total of $144.2 million.

Although not required, all $69.1 million of the transferred funds is programmed to be replaced over a three-year period (fiscal 2016 through 2018) with general obligation (GO) bonds, as provided in the fiscal 2015 capital budget, which includes preauthorization language for the replacement of funds planned for all three years. The fiscal 2015 transfers and the replacement schedule are shown by agency in **Exhibit 3**. The total $69.1 million transferred includes (1) $20.8 million in POS State share; (2) $22.7 million in POS local share; (3) $8.3 million in Rural Legacy Program funds; and (4) $17.3 million from MALPF.

Exhibit 3
Proposed Transfers and Replacement Schedule by Agency
Fiscal 2015-2018
($ in Millions)

	MDA	DNR	Total
FY 2015 Transfer	**$17.28**	**$51.85**	**$69.13**
FY 2016 GO Bond Replacement	5.76	17.28	23.04
FY 2017 GO Bond Replacement	5.76	17.28	23.04
FY 2018 GO Bond Replacement	5.76	17.28	23.04
Total Replacement	**$17.28**	**$51.85**	**$69.13**

DNR = Department of Natural Resources
GO = general obligation
MDA = Maryland Department of Agriculture

Numbers may not sum to total due to rounding.

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 Program, and MALPF. Under this bill, in fiscal 2015 a total of $69.1 million is transferred from these programs (including $22.7 million in funds from the POS local share); however, those funds are programmed to be fully replaced from fiscal 2016 through 2018 with GO bond funds as provided in the fiscal 2015 capital budget (including preauthorizations for fiscal 2016 through 2018). Consequently some of the funding that otherwise would have been provided to local governments in fiscal 2015 will be delayed, but the total amount provided over the three-year period is not affected. The fiscal 2015 reduction by county resulting from the transfer authorized under this bill is shown in **Exhibit 4**. There is $22.8 million in GO bond funds proposed for local POS purposes in the Governor's proposed fiscal 2015 capital budget.

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.

Exhibit 4
Reduction in Program Open Space Local Share by Jurisdiction
Under the Budget Reconciliation and Financing Act of 2014
($ in Thousands)

County	Program Open Space
Allegany	($251)
Anne Arundel	(2,666)
Baltimore City	(2,391)
Baltimore	(3,016)
Calvert	(264)
Caroline	(117)
Carroll	(599)
Cecil	(309)
Charles	(543)
Dorchester	(100)
Frederick	(619)
Garrett	(123)
Harford	(887)
Howard	(1,573)
Kent	(75)
Montgomery	(3,962)
Prince George's	(3,409)
Queen Anne's	(159)
St. Mary's	(300)
Somerset	(72)
Talbot	(167)
Washington	(472)
Wicomico	(315)
Worcester	(297)
Total	**($22,687)**

Notes: Numbers may not sum to total due to rounding. Program Open Space figures represent the reduction in local share funding attributable to this bill. Additional reductions impacting fiscal 2015 were already assumed per actions taken in the Budget and Reconciliation and Financing Act of 2013.

Source: Department of Budget and Management; Department of Legislative Services

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 5**, from fiscal 2006 through 2018, a total of $1.0 billion in transfer tax revenue and fund balances has been or will be redirected to the general fund, of which $867.8 million has been or is scheduled to be replaced through fiscal 2020. Additional capital development project replacement funding is planned for fiscal 2016 through 2020 in the 2013 *Capital Improvement Program*, but it is not included in the exhibit because it was not preauthorized in the fiscal 2014 capital budget.

Exhibit 5
Transfer Tax Transferred to the General Fund and Replacement Schedule under Current Law, Reflecting Actions Taken through the 2013 Session
Fiscal 2006-2020
($ 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	96.9	81.9
2014	89.2	59.4
2015 Est.	75.1	67.1
2016 Est.	77.7	70.4
2017 Est.	82.8	67.4
2018 Est.	86.0	70.8
2019 Est.	0.0	74.5
2020 Est.	0.0	38.0
Total	**$1,040.7**	**$867.8**

Notes: 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 2013 session; thus, transfers and replacements authorized in the Budget Reconciliation and Financing Act of 2013 and the fiscal 2014 capital budget, including preauthorizations of GO bonds in fiscal 2015 through 2020, are shown even though the Governor's proposed fiscal 2015 capital budget modifies those preauthorizations. Transfers proposed in this bill and additional replacement of funds planned in the *Capital Improvement Program* are not included. This exhibit does not reflect repayment of the $90.0 million in transfer tax revenue transferred to the general fund in fiscal 2006. Based on current law, if certain conditions are met, this could begin in fiscal 2016. Funds transferred under the Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the 2012 first special session) went to the Budget Restoration Fund rather than the general fund; even so, these fund transfers are reflected above.

Source: Department of Legislative Services

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

Analysis prepared by: Andrew D. Gray

Sale of Dauphin Helicopters

Provision in the Bill: Requires that any revenue generated by the sale of Dauphin 365N helicopters be credited to the general fund rather than the Annuity Bond Fund (ABF), as required under current law.

Agencies: Department of State Police; Department of General Services (DGS)

Type of Action: General fund revenue enhancement

Fiscal Impact:	*($ in millions)* FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$0	$17.6	$0	$0	$0	$0
SF Rev	$0	($17.6)	$0	$0	$0	$0
GF Exp	$0	$0	$17.6	$0	$0	$0

State Effect: General fund revenues increase by an estimated $17.6 million in fiscal 2015 from the sale of Dauphin helicopters. Special fund revenues to ABF decline by a corresponding amount. The special funds would have been available for general obligation bond debt service; therefore, in fiscal 2016, general fund expenditures for debt service increase to offset the loss of special funds for additional debt service paid to ABF. The Governor's proposed fiscal 2015 budget includes $195.0 million in general funds for ABF.

Program Description/Recent History: The Maryland State Police Aviation Command (MSPAC) operated a fleet of 11 Dauphin helicopters, most of which were purchased between 1989 and 1990. These helicopters were reaching the end of their useful lives, and it was determined the fleet needed to be replaced. General obligation funding was first provided during the 2009 session to replace the Dauphins with AW-139 helicopters from AgustaWestland. MSPAC has taken delivery of 9 of the 10 AW-139s and expects to receive the tenth and final helicopter by November 2014. At that time, the Dauphin fleet will be sold by DGS. The sale is anticipated to generate $17.6 million in revenue.

Section 10-306 of the State Finance and Procurement Article generally requires that, if cash is received as consideration for the disposition of a capital asset of the State or any unit of State government, the cash must be applied to ABF for debt service payments. This provision redirects any revenue generated by the sale of the helicopters from ABF to the general fund.

Location of Provision in the Bill: Section 5 (p.16)

Analysis prepared by: Laura M. Vykol

State Radiation Control Fund

Provision in the Bill: Authorizes the transfer of $300,000 from the Radiation Control Fund to the general fund in fiscal 2014.

Agency: Maryland Department of the Environment (MDE)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in dollars)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$300,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $300,000 in fiscal 2014 due to the transfer. Future years are not affected. The Radiation Control Fund will be left with an estimated $700,000 fund balance at the end of fiscal 2014.

Program Description: The State Radiation Control Fund consists of various license, registration, and certification fees, as well as fines and penalties resulting from the department's efforts to control sources of radiation. The fund is used for activities relating to identifying, monitoring, and controlling sources of radiation and for program development. Estimated fiscal 2014 revenue to the fund is $2.6 million.

Recent History: Chapter 222 of 2002 increased the maximum fee that MDE may establish by regulation for dental radiation machines from $40 per machine per year to $60 for fiscal 2003 and 2004, $70 for fiscal 2005 and 2006, and $80 for fiscal 2007 through 2010. Chapter 222 specified that, unless altered by the General Assembly, the $80 fee continues beyond fiscal 2010. As the General Assembly has not authorized a change in the fee, the fee remains at $80 per machine per year.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $500,000 from the fund to the general fund.

Location of Provision in the Bill: Section 8 (p. 16)

Analysis prepared by: Andrew Gray

Biotechnology Investment Tax Credit Reserve Fund

Provision in the Bill: Authorizes the transfer of $650,000 from the Biotechnology Investment Tax Credit Reserve Fund to the general fund in fiscal 2014.

Agency: Department of Business and Economic Development (DBED)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in dollars)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$650,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $650,000 in fiscal 2014 due to the transfer. The transfer will reduce the amount of tax credits that may be issued in fiscal 2014 (or carried forward). Credits in future years are not affected. The fiscal 2014 beginning balance of the fund was $712,140.

Program Description: The Biotechnology Investment Tax Credit Reserve Fund was established by Chapter 99 of 2005. DBED administers the tax credit application, approval, and certification process. An investor who invests at least $25,000 in a qualified Maryland biotechnology company can claim a credit equal to 50% of the investment, not to exceed $250,000. All applications are reviewed and approved by DBED on a first-come, first-served basis. The Governor's proposed fiscal 2015 budget includes $12 million for the fund.

Generally, the total amount of final tax credit certificates issued in each fiscal year cannot exceed the amount appropriated to the Biotechnology Investment Tax Credit Reserve Fund in that year. However, any excess funds remain in the reserve fund and may be issued by DBED under initial tax credit certificates the following year. If funds are transferred for reasons other than the administration of the program, the maximum credit amount in the aggregate for which DBED may issue initial tax credit certificates is reduced by the amount transferred.

Recent History: DBED was authorized to award $10 million in credits in fiscal 2014, $8 million annually in fiscal 2011 through 2013, and $6 million annually from fiscal 2008 through 2010.

Location of Provision in the Bill: Section 8 (p. 16)

Analysis prepared by: Stephen M. Ross

Maryland Correctional Enterprises Revolving Fund

Provision in the Bill: Authorizes the transfer of $800,000 from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2014.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal Impact:	($ in dollars) **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$800,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $800,000 in fiscal 2014 due to the transfer. Future years are not affected. At the end of calendar 2013, the fund balance for the Maryland Correctional Enterprises Revolving Fund was $15.1 million; following the $800,000 transfer, the Maryland Correctional Enterprises Revolving Fund will retain a fund balance of approximately $14.3 million.

Program Description: Maryland Correctional Enterprises (formerly State Use Industries) provides work and job training for inmates incarcerated in State correctional facilities. 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. In fiscal 2013, Maryland Correctional Enterprises employed 2,038 inmates and generated revenues of $50.8 million, resulting in a net loss of $600,000, and $500,000 was transferred from the revolving fund to the general fund.

Location of Provision in the Bill: Section 8 (p. 16)

Analysis prepared by: Rebecca J. Ruff

Sustainable Communities Tax Credit Reserve Fund

Provision in the Bill: Authorizes the transfer of $125,000 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2015.

Agency: Maryland Department of Planning

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in dollars)* FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Rev	$0	$125,000	$0	$0	$0	$0

State Effect: General fund revenues increase by $125,000 in fiscal 2015 due to the transfer. Future years are not affected.

Program Description: The Maryland Sustainable Communities Tax Credit Program was created by Chapter 487 of 2010 as an extension and alteration of the existing Heritage Structure Rehabilitation Tax Credit Program – a budgeted tax credit. The program has a commercial and a residential component, but only the commercial component is a budgeted tax credit. The Sustainable Communities Tax Credit Reserve Fund holds funding appropriated for commercial rehabilitation projects and to cover any administrative costs not covered by fees charged to certify projects for the tax credit. The Director of the Maryland Historical Trust may certify projects for tax credits up to the amount appropriated for that fiscal year plus any unused funds from prior years. In fiscal 2014, $10 million was appropriated to the fund. The $125,000 being transferred represents appropriated funding that went unused in fiscal 2013. While the program is currently scheduled to terminate as of July 1, 2014, House Bill 510 of 2014, a departmental bill, proposes to extend the tax credit for an additional five years to July 1, 2019.

Recent History: The Budget Reconciliation and Financing Act of 2013 (Chapter 425) transferred $430,000 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2013, reflecting commercial tax credit certificates issued in fiscal 2007 that had expired. Chapter 425 also requires credits for commercial rehabilitation projects approved prior to fiscal 2005 (prior to the establishment of the reserve fund) that do not have a valid, unexpired building permit, to be cancelled on July 1, 2014, reducing future liabilities.

Location of Provision in the Bill: Section 9 (p. 16)

Analysis prepared by: Scott Kennedy

University System of Maryland Fund Balance Transfer

Provision in the Bill: Authorizes the transfer of $25,814,997 from University System of Maryland (USM) fund balances to the general fund in fiscal 2015.

Agency: University System of Maryland

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$0	$25.8	$0	$0	$0	$0

State Effect: General fund revenues increase by $25.8 million in fiscal 2015 as a result of the transfer. An estimated $865.9 million remains in the fund balances after the transfer, of which $178.0 million is the State-supported portion of the fund balances.

Program Description: USM fund balances are maintained to protect individuals who hold USM-related bonds, to fund capital needs, and to preserve the system's credit rating. Fund balance reductions will be allocated to the 11 USM institutions, the research center, and the USM system office based on the distribution of general funds to the entities.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) transferred $29.0 million from USM fund balances to the general fund in fiscal 2009. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) transferred $133.3 million from the USM fund balances to the general fund in fiscal 2010 and an additional $11.7 million in fiscal 2011. A portion of these transfers was related to furlough savings.

Location of Provision in the Bill: Section 9 (p. 16)

Analysis prepared by: Sara Baker

Maryland Agricultural and Resource-Based Industry Development Corporation

Provisions in the Bill: Reduce mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) to $2,875,000 in fiscal 2015. Mandated annual funding of $4,000,000 is extended for one additional year (through fiscal 2021).

Agency: Maryland Department of Agriculture

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Exp	$0	($1.125)	$0	$0	$0	$0

State Effect: Mandated general fund expenditures decrease by $1,125,000 in fiscal 2015 based on the amount the Governor otherwise would have been required to fund ($4,000,000). The Governor's proposed fiscal 2015 budget includes $4,000,000 for MARBIDCO, but that appropriation is reduced by $1,125,000 contingent upon enactment of legislation reducing the mandated funding to the fiscal 2014 level ($2,875,000). Mandated general fund expenditures increase by $4,000,000 in fiscal 2021 due to the additional year of mandated funding.

Local Effect: Local governments may be affected in fiscal 2015 to the extent the reduction in mandated funding limits MARBIDCO's cost-share support to local government-funded rural business development projects. However, any impact is likely minimal. Local government projects may benefit from mandated funding in fiscal 2021.

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, ramping up from $1.0 million in fiscal 2007 to $4.0 million in fiscal 2010 through 2020. The mandated amounts were provided in fiscal 2007 and 2008, but in years since, multiple adjustments have been made to the mandated amounts through budget reconciliation legislation, and the amounts appropriated each year have been under $3.0 million. In both fiscal 2013 and 2014, $2.875 million was provided.

Location of Provisions in the Bill: Section 1 (p. 5)

Analysis prepared by: Scott Kennedy

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 for fiscal 2015 by specifying funding for each college. The funding formula is unchanged in fiscal 2016 and beyond. Under current statute, full funding is reached in fiscal 2023.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)*					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	($4.6)	$0	$0	$0	$0

State Effect: Mandated general fund expenditures for the Cade formula are reduced by $4.6 million in fiscal 2015. Mandated general fund expenditures for community college aid increase by $15.3 million in fiscal 2015 under current law due to increasing State support for public four-year institutions. The Governor's proposed fiscal 2015 budget includes this increase (and a total of $244.9 million in general funds for aid to community colleges). This amount is reduced by $4.6 million contingent upon the enactment of legislation limiting growth in aid to community colleges to 5.0% (rather than 7.2% under current law). Future year general fund expenditures are unchanged.

Local Effect: Direct State aid for community colleges will be $4.6 million less than required under current law but still increases by $10.7 million in fiscal 2015. Aid will increase in fiscal 2016 and beyond per the formula in statute. The Cade formula will phase up to full funding by fiscal 2023. The impact of this provision for fiscal 2015 is shown by college in **Exhibit 6**.

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 full-time equivalent student (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.

Exhibit 6
Fiscal 2015 Reduction in Cade Formula Funding by Community College Under the Budget Reconciliation and Financing Act of 2014

Community College	Reduction
Allegany College	($101,331)
Anne Arundel Community College	(603,032)
Community College of Baltimore County	(810,795)
Carroll Community College	(155,724)
Cecil Community College	(108,502)
College of Southern Maryland	(272,801)
Chesapeake College	(71,978)
Frederick Community College	(187,379)
Garrett College	(53,974)
Hagerstown Community College	(161,954)
Harford Community College	(226,956)
Howard Community College	(318,166)
Montgomery College	(840,162)
Prince George's Community College	(534,892)
Wor-Wic Community College	(147,981)
Total	**($4,595,627)**

Source: Department of Budget and Management; Department of Legislative Services

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 2012 (Chapter 1 of the first special session), which set a State funding floor per FTES for fiscal 2014 through 2017 and reduced formula funding levels for fiscal 2018 through 2022.

Location of Provision in the Bill: Section 1 (pp. 6-8)

Analysis prepared by: Garret Halbach

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 by setting a reduced funding level for fiscal 2015 ($40,943,310). The funding formula is unchanged in fiscal 2016 and beyond. Under current statute, full funding is reached in fiscal 2021.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	($3.9)	$0	$0	$0	$0

State Effect: Mandated general fund expenditures for the Sellinger formula decrease by $3.9 million in fiscal 2015. Mandated general fund expenditures for the Sellinger formula increase by $3.6 million in fiscal 2015 under current law due to increasing State support for public four-year institutions. The Governor's proposed fiscal 2015 budget includes a $3.9 million reduction to the Sellinger formula contingent on enactment of legislation reducing aid to nonpublic institutions of higher education.

Program Description: The Joseph A. Sellinger Program provides State funding to 13 qualifying nonprofit independent colleges and universities. The Sellinger formula uses a percentage of the State's per full-time equivalent student (FTES) funding for select 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 9.4% for fiscal 2015 and is scheduled to phase up to full funding (15.5%) for fiscal 2021 and subsequent years.

Recent History: The Budget Reconciliation and Financing Act of 2011 (Chapter 397) created savings for the Sellinger formula by excluding enrollments from partnerships with for-profit institutions. In fiscal 2012, Baltimore International College entered into 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.

The Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the first special session) froze per FTES funding at the fiscal 2013 level from fiscal 2014 through 2017 and reduced formula funding levels for fiscal 2018 through 2020. In fiscal 2014, the National Labor College announced it will cease operations at the conclusion of the 2013-2014 academic year so it was removed from Sellinger formula calculations beginning in the fiscal 2015 appropriation. In fiscal 2014, the college received $233,874 under the formula.

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

Analysis prepared by: Garret Halbach

Reduction in Pension Reinvestment Payments

Provision in the Bill: Reduces the State's mandated retirement reinvestment contributions to the State Retirement and Pension System (SRPS) from $300 million to $200 million for fiscal 2014 and each year thereafter.

Agencies: All

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	($87.1)	($88.3)	($83.5)	($76.3)	($68.6)	($59.8)
SF Exp	$0	($6.2)	($5.9)	($5.4)	($4.8)	($4.2)
FF Exp	$0	($4.1)	($3.9)	($3.6)	($3.2)	($2.8)
NonBud	$0	($1.4)	($1.3)	($1.2)	($1.1)	($0.9)

State Effect: General fund pension contributions decrease by $87.1 million in fiscal 2014. Total contributions decline by a total of $100.0 million in fiscal 2015, including $88.3 million in general funds, $6.2 million in special funds, $4.1 million in federal funds, and $1.4 million in nonbudgeted funds. In future years, pension contributions decrease by smaller amounts, reflecting higher amortization payments that result from the reduction in mandated annual State contributions.

The fiscal 2014 budget (Chapter 423 of 2013) withdraws $86.1 million in general funds for this purpose; an additional $1.0 million in general funds will be reverted by the Legislature and Judiciary for a total of $87.1 million. The Governor's proposed fiscal 2015 budget includes a $96.7 million reduction across all Executive Branch agencies to reduce the retirement reinvestment contribution (including $86.3 million in general funds, $6.2 million in special funds, and $4.1 million in federal funds). This reduction is contingent on legislation reducing the amount of the retirement reinvestment contribution. About $66.0 million of the general fund reduction represents State retirement payments on behalf of local school boards, libraries, and community colleges for certain employees who are members of SRPS. The remaining reductions come from reversions from the General Assembly, Judiciary, and nonbudgeted State agencies.

Program Description: Chapter 397 of 2011 required the Governor to reinvest a portion of the savings generated by pension benefit reform by making excess State contributions into the SRPS trust fund. The purpose of the reinvestment was to enhance the financial stability of the trust fund and restore it to an 80% funding level by fiscal 2023 (subsequent pension funding reforms delayed the projected achievement of that goal until fiscal 2024). For fiscal 2012 and 2013, all but $120 million of the roughly $300 million in savings was required to be reinvested in the trust fund. Beginning in fiscal 2014 and each year thereafter, the amount of reinvested savings was subject to a $300 million cap, with the total savings projected to exceed that amount each year.

Recent History: Section 42 of the fiscal 2014 budget bill designated $87.1 million in general funds that were to be paid to the trust fund to be held in reserve. The Governor was authorized to transfer those funds by budget amendment to the Dedicated Purpose Account (DPA) to provide funds to support critical programs impacted by federal sequestration. Any unused funds remaining in DPA on January 1, 2014, were to be transferred to the SRPS Accumulation Fund.

The reserve funds were never transferred to DPA nor used to offset federal sequestration. Instead, the Governor held the funds in reserve and has applied them to the fiscal 2014 budget. This provision reduced the amount of reinvested savings contributed by the State by $100 million. The SRPS actuary projects that the reduction in State payments will further delay achieving an 80% funding level by one year, until fiscal 2025.

Location of Provision in the Bill: Section 1 (pp. 10-11)

Analysis prepared by: Michael C. Rubenstein

State Department of Assessments and Taxation Special Administrative Fund

Provision in the Bill: Authorizes the State Department of Assessments and Taxation (SDAT) to use a special administrative fund for other costs incurred by the department to administer its Charter Unit.

Agency: State Department of Assessments and Taxation

Type of Action: Fund swap

Fiscal Impact:			*($ in dollars)*			
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	($303,553)	($321,535)	$0	$0	$0	$0
SF Exp	$303,553	$321,535	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $303,553 and special fund expenditures increase correspondingly in fiscal 2014 as a result of SDAT using special funds for operating expenses incurred by the Office of the Director to administer the Charter Unit. These expenses are currently funded with general funds. This estimate is based on a proportional allocation of expenditures made by the Office of the Director in administering the Charter Unit. At the end of fiscal 2014, the special administrative fund is projected to have a balance of $883,962. This balance is insufficient to cover fund swaps beyond fiscal 2014 and 2015. The fiscal 2014 general fund reduction and special fund appropriation, as well as a $321,535 general fund reduction in the Governor's proposed fiscal 2015 budget are contingent upon legislation authorizing the use of charter funds to support the Office of the Director.

Program Description: Revenues credited to the special administrative fund are primarily generated from a 24-hour expedited service processing and recordation fee for corporate filings. The revenues support the operations of SDAT's Charter Unit, which acts as the central repository of all records of business entity formation and filings.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of $3.0 million from the special administrative fund to the general fund for fiscal 2010. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of $435,721 from the special administrative fund to the general fund for fiscal 2009.

Location of Provision in the Bill: Section 1 (p. 3)

Analysis prepared by: Michael Sanelli

Maryland State Firemen's Association Widows' and Orphans' Fund

Provision in the Bill: Specifies that the Comptroller must annually credit an amount set forth in the State budget from the $7.50 surcharge on certain moving violations to the Maryland State Firemen's Association (MSFA) for the Widows' and Orphans' Fund. Funds must be provided prior to distribution of any revenues to MSFA, the Volunteer Company Assistance Fund (VCAF), or the Maryland Emergency Medical System Operations Fund (MEMSOF).

Agency: Comptroller's Office

Type of Action: Fund swap

Fiscal Impact:	***($ in dollars)*** **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	($275,000)	($275,000)	($275,000)	($275,000)	($275,000)

State Effect: General fund expenditures decrease by $275,000 annually beginning in fiscal 2015 due to the use of special fund revenues from the moving violation surcharge rather than general funds to support MSFA's Widows' and Orphans' Fund. The State budget has included $275,000 in general funds annually for this fund since fiscal 2010. Current statute dictates that moving violation surcharge revenues begin accruing to MEMSOF once VCAF has received $20.0 million from this revenue source; this is expected to happen in fiscal 2014. Using moving violation surcharge revenue to provide for additional expenses will reduce total revenues to MEMSOF by $275,000 when the revenue begins accruing.

Program Description: For certain traffic offenses in the District Court, court costs of $22.50 plus a $7.50 surcharge are imposed. An amount annually set forth in the State budget from the surcharge must be distributed to the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program. After funds have been distributed to the Riley Scholarship, $200,000 must be distributed to MSFA. Until a total of $20.0 million has been distributed to VCAF, remaining revenues must be distributed to VCAF. Once $20.0 million has been distributed to VCAF, remaining revenues go to MEMSOF.

Recent History: In fiscal 2013, there were 634,000 moving violation citations that brought in $4.8 million in revenue. The Riley Scholarship received $340,979 in fiscal 2012 and $355,984 in fiscal 2013. The VCAF balance is anticipated to reach $20.0 million in fiscal 2014, at which time remaining revenues will accrue to MEMSOF.

Using moving violation surcharge special fund revenues rather than general funds to support MSFA's Widows' and Orphan's Fund will reduce the amount that will accrue to MEMSOF by $275,000 annually.

Location of Provision in the Bill: Section 1 (pp. 3-4)

Analysis prepared by: Laura M. Vykol

Maryland Strategic Energy Investment Fund

Provisions in the Bill: Permanently alter the allocation of the proceeds from Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions in the Maryland Strategic Energy Investment Fund (SEIF), add resiliency as an eligible use of the allocation for renewable and clean energy and climate change programs, and increase the cap in the administrative allocation from $4 million to $5 million.

Agencies: Maryland Energy Administration (MEA); Department of Human Resources (DHR); Maryland Department of the Environment; Department of Housing and Community Development; Department of General Services; and Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	($5.7)	($23.5)	($25.1)	($27.1)	($28.2)

State Effect: General fund expenditures decrease beginning in fiscal 2015 for expenditures for electricity assistance programs and in fiscal 2017 for the administrative expenses of MEA due to the higher allocations provided for these purposes under these provisions. Projected savings are less in fiscal 2015 due to the anticipated fund balances available to support operations of these programs.

DHR general fund expenditures decrease for the Electric Universal Service Program (EUSP) by $23.5 million in fiscal 2016, $24.7 million in fiscal 2017, $25.9 million in fiscal 2018, and $27.2 million in fiscal 2019. The impact increases over time due to the projected increases in RGGI revenue.

MEA general fund administrative expenditures decline by $0.4 million in fiscal 2017, $1.2 million in fiscal 2018, and $1.0 million in fiscal 2019 (when MEA would have reached the cap under the current statutory allocation). To the extent that MEA increases administrative expenditures as a result of increased RGGI revenue, additional general funds may be required (though this might occur under either allocation).

Overall, special fund expenditures are not affected; the provision simply redistributes the special funds among various programs and eliminates the rate relief program. **Exhibit 7** provides a comparison of RGGI revenue anticipated in fiscal 2015 under the current statutory allocation and the allocation proposed under this bill. This allocation does not reflect the fiscal 2015 allowance for these allocations.

Exhibit 7
Comparison of Regional Greenhouse Gas Initiative Revenue Allocation
Fiscal 2015
($ in Millions)

	Allocation Required Under Current Law		Allocation Proposed Under SB 172/HB 162		Difference
Energy Assistance	17.0%	$11.6	50.0%	$34.0	$22.4
Residential Rate Relief	23.0%	15.6	0.0%	0	(15.6)
Energy Efficiency and Conservation, Low and Moderate Income	23.0%	15.6	10.0%	6.8	(8.8)
Energy Efficiency and Conservation, All Other Sectors	23.0%	15.6	10.0%	6.8	(8.9)
Renewal Energy, Climate Change	10.5%	7.1	20.0%	13.6	6.5
Administration	3.5%	2.4	10.0%	5.0	2.6
Total	**100.0%**	**$68.0**	**100.0%**	**$68.0**	**$0.0**
Excess Revenue for Administration after Cap				$1.8	

Source: Governor's Budget Books; Department of Legislative Services

Local Effect: Local governments may be affected to the extent that the adjustment of distributions affects the funding available for grants to local governments.

Program Description: SEIF was created pursuant to Chapters 127 and 128 of 2008 to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF's primary source of ongoing revenue is proceeds from the sale of carbon dioxide emission allowances sold at quarterly RGGI auctions. Other revenue received in SEIF from dedicated sources is not subject to these allocations.

DHR's EUSP provides assistance with electric bills and electric bill arrearages to individuals earning less than 175% of federal poverty guidelines. The program also receives funding from a surcharge on ratepayer bills. SEIF has primarily been used for arrearage assistance payments, but it is available for bill assistance benefits as well.

The rate relief credit was determined by the Public Service Commission following the quarterly RGGI auctions and distributed on ratepayer bills. The monthly credits were available to ratepayers from June 2009 through October 2011, and again in March 2012.

Recent History: The initial statutory allocation of RGGI auction proceeds was established by Chapters 127 and 128 of 2008. Since then, distribution of revenues has been adjusted twice by budget reconciliation legislation. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) adjusted the distribution of revenue from RGGI auctions held between March 1, 2009, and June 30, 2011, while the Budget Reconciliation and Financing Act of 2011 (Chapter 397) altered the distribution of revenue from RGGI auctions held in fiscal 2012 through 2014.

Several transfers have also been authorized from SEIF, primarily to replace lost revenue from tax credits. Chapter 490 of 2010 transferred a total of $2.5 million from SEIF to the Transportation Trust Fund over three fiscal years (fiscal 2011 through 2013) to replace lost revenue from the excise tax credit for electric vehicles. Chapter 389 of 2013 authorizes the transfer of an additional $1.3 million in fiscal 2014 and $600,000 annually in fiscal 2016 through 2018 for this purpose. Chapter 402 of 2011 authorizes transfers totaling $1.5 million from SEIF to the general fund in fiscal 2013 through 2015 to replace lost revenue from a tax credit for electric vehicle charging equipment.

Location of Provisions in the Bill: Section 2 (pp. 12-13)

Analysis prepared by: Tonya Zimmerman

Providers of Nonpublic Placements

Provision in the Bill: Requires, for fiscal 2015, that any increase in rates for payments to providers of nonpublic placements take effect January 1, 2015.

Agency: Maryland State Department of Education

Type of Action: Cost control

Fiscal Impact:	*($ in dollars)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	($560,000)	$0	$0	$0	$0

State Effect: Based on a 1.0% rate increase for providers of nonpublic placements by six months reduces general fund expenditures by an estimated $560,000 in fiscal 2015.

Local Effect: Local expenditures for nonpublic placements decline by a minimal amount due to deferral of the planned rate increase.

Program Description: Most students with disabilities receive special education services in the public schools. However, if an appropriate program is not available in the public schools, 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) limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1.0%. 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, while budget reconciliation legislation enacted in 2012 (Chapter 1 of the 2012 first special session) limited the rate increase to 1.0%. Budget reconciliation legislation enacted in 2013 (Chapter 425) limits, for fiscal 2014, the increase in rates paid to group homes and nonpublic placements to 2.5% over the rates in effect on January 16, 2013.

Location of Provision in the Bill: Section 6 (p. 16)

Analysis prepared by: Jolshua S. Rosado

Rates for Residential Child Care Group Homes

Provisions in the Bill: Limit growth in fiscal 2015 rates paid to residential child care providers that have their rates set by the Interagency Rates Committee (IRC) to no more than 1.5% over the rates in effect on January 15, 2014. The rate increase will be delayed to January 1, 2015.

Agencies: Department of Human Resources; Department of Juvenile Services

Type of Action: Cost control

State Effect: Potential general and federal fund savings in fiscal 2015. Rates for residential child care group homes are set through IRC for each individual group home on a cost basis, which generally allows for increases due to inflation. The provision is intended as a maximum allowable increase based on the rates set by IRC; thus, if IRC determines a group home should have a rate increase of 0.8%, it will receive a 0.8% increase. Conversely, if IRC determines a different group home should have a 2.3% increase based on the average costs of other group homes for similar levels of treatment, that group home's rate increase would be limited to 1.5%. To the extent that the bill prevents such increases, general and federal fund savings may be achieved. The exact amount of such savings will depend on the rates for each individual facility and the level of utilization of residential childcare group home placements. The cost of the rate increase as limited by this legislation is estimated to be $2.0 million to $3.0 million in fiscal 2015.

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, the Department of Health and Human Services, the Department of Human Resources, the Department of Juvenile Services, the Maryland State Department of Education, and the Governor's Office for Children.

Recent History: In fiscal 2009, cost-containment actions taken by the Board of Public Works reduced rates for residential child care placements by 1.0%. Budget reconciliation legislation (Chapter 487 of 2009, Chapter 484 of 2010, and Chapter 397 of 2011) froze the rates for three consecutive years. Budget reconciliation legislation in 2012 (Chapter 1 of the 2012 first special session) allowed rate increases of up to 1.0%, and in 2013 (Chapter 425) allowed rate increases of up to 2.5%.

Location of Provisions in the Bill: Section 7 (p. 16)

Analysis prepared by: Richard Harris

Maryland Not-for-Profit Development Center Program Fund

Provision in the Bill: Authorizes the Department of General Services (DGS) to use the Maryland Not-For-Profit Development Center Fund, as provided in the State budget, to evaluate the participation of not-for-profit entities in State procurement.

Agencies: Department of Business and Economic Development; Department of General Services

Type of Action: Other

State Effect: None. The Governor's proposed fiscal 2015 budget includes a fiscal 2014 deficiency of $110,000 in general funds and an additional $110,000 in fiscal 2015 for the Maryland Not-For-Profit Development Center Program. While the provision enables an additional use of the fund, it does not increase expenditures from the fund. Chapter 343 of 2013 required the Department of Disabilities, in collaboration with DGS, to study the participation of not-for-profit entities that promote the interests of individuals with disabilities in State procurement. The fiscal and policy note estimated that the study would cost $125,000.

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. Funds have been accruing to the fund since fiscal 2013.

Location of Provision in the Bill: Section 1 (pp. 4-5)

Analysis prepared by: Jody J. Sprinkle

Reduction of Maryland Health Insurance Plan Assessment

Provision in the Bill: Reduces the assessment on hospital rates dedicated to the Maryland Health Insurance Plan (MHIP) and other authorized activities to a maximum of 0.5% of hospital net patient revenue effective October 1, 2014. Current law establishes a floor for the assessment of 0.8128%. The current assessment is set at 1.0%. Revenues from the assessment accrue to the MHIP fund.

Agencies: Maryland Health Insurance Plan; Maryland Health Benefit Exchange (MHBE); Department of Health and Mental Hygiene

Type of Action: Rate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
SF Rev	$0	($48.2)	($65.3)	($66.4)	($67.5)	($68.6)
FF Rev	$0	($4.3)	($5.9)	($6.0)	($6.1)	($6.2)
GF Exp	$0	($4.3)	($5.9)	($6.0)	($6.1)	($6.2)
FF Exp	$0	($4.3)	($5.9)	($6.0)	($6.1)	($6.2)

State Effect: Special fund revenues to the MHIP fund decline by $48.2 million in fiscal 2015 from the reduction in the MHIP assessment from 1.0% to 0.5%. Special fund revenue losses increase in future years based on annualization and from an assumption of modest growth in hospital net patient revenues.

Medicaid expenditures decline by a total of $8.7 million in fiscal 2015 ($4.3 million in general funds and $4.3 million in federal funds) due to the reduction in hospital rates associated with reducing the MHIP assessment. This savings is based on the assumption that Medicaid expenditures account for 18% of total hospital revenues annually. Medicaid savings increase at a higher rate in future years based on annualization and the assumption of modest growth in hospital net patient revenues. There is a corresponding decline in Medicaid federal fund matching revenues.

The Governor's proposed fiscal 2015 budget includes a $1.5 million reduction in Medicaid general funds contingent upon the enactment of legislation reducing the MHIP assessment. This $4.3 million reduction due to this provision is partially offset by an increase in Medicaid expenditures associated with a proposed Community Partnership Assistance Program established in another provision of this bill.

Recent History: Chapter 159 of 2013 required that enrollment in MHIP, including reenrollment of former enrollees, be closed as of December 31, 2013, as MHIP members will have guaranteed access to insurance through the individual market or MHBE. Chapter 159 also established a State Reinsurance Program to mitigate the impact of high-risk individuals on rates in the individual market inside and outside MHBE. Funding for the program is authorized to come from the MHIP assessment. To the extent that this provision reduces revenue to the MHIP fund, it also reduces funding available for a reinsurance program. At this time, no specific proposal for a reinsurance program has been developed.

Chapter 1 of 2014 expands the purpose of MHIP to include providing access to affordable, comprehensive health benefits for bridge-eligible individuals (individuals eligible for enrollment in MHBE that attempted to obtain insurance through MHBE but were unsuccessful in enrolling). Coverage can be provided on a retroactive or prospective basis, as needed. Chapter 1 expresses the intent of the General Assembly that MHIP be used to subsidize health insurance coverage for bridge-eligible individuals. According to the Administration, special fund expenditures associated with bridge-eligible individuals will be paid out of the MHIP fund balance, which is anticipated to be $149.6 million at the end of fiscal 2014.

Location of Provision in the Bill: Section 3 (pp. 13-14)

Analysis prepared by: Simon G. Powell

Community Partnership Assistance Program

Provisions in the Bill: Require the Health Services Cost Review Commission (HSCRC) to establish a Community Partnership Assistance Program to provide funding for hospitals for approved regional or statewide community partnership plans. Funding for the program is capped at $30 million in fiscal 2015 and $40 million in fiscal 2016 and beyond.

Agency: Department of Health and Mental Hygiene (DHMH)

Type of Action: Other

Fiscal Impact:	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
			($ in millions)			
FF Rev	$0	$2.7	$3.6	$3.6	$3.6	$3.6
GF Exp	$0	$2.7	$3.6	$3.6	$3.6	$3.6
FF Exp	$0	$2.7	$3.6	$3.6	$3.6	$3.6

State Effect: Medicaid expenditures increase by an estimated total of $5.4 million in fiscal 2015 ($2.7 million in general funds, $2.7 million in federal funds) as a result of a $30.0 million increase in hospital rates to fund the program. Medicaid expenditures increase by an estimated total of $7.2 million ($3.6 million in general funds, $3.6 million in federal funds) in fiscal 2016 and thereafter based on the program's $40.0 million funding cap. There is a corresponding increase in Medicaid federal fund matching revenues. These estimates are based on the assumption that Medicaid expenditures account for 18% of total hospitals revenues annually.

The Governor's proposed fiscal 2015 budget includes a $1.5 million reduction in Medicaid general funds based on the increase in costs associated with the proposed Community Partnership Assistance Program that is more than offset by a reduction in expenditures derived from a reduction in the Maryland Health Insurance Plan hospital assessment implemented through another provision of this bill.

Program Description: A "community partnership" is defined as a partnership with a corporate, business, provider, or citizen organization intended to improve community health and well-being. Community partnership plans must be developed in accordance with guidelines to be established by DHMH and HSCRC. DHMH and HSCRC will review proposed partnership plans, with DHMH approving the plans. Plans will be funded through the rates of hospitals participating in a community partnership plan.

Location of Provisions in the Bill: Section 4 (pp. 14-15)

Analysis prepared by: Simon G. Powell

Appendix B

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GENERAL FUND REVENUES						
Transfer Tax Special Fund	0	69,126,554	0	0	0	0
University System of Maryland Fund Balance Transfer	0	25,814,997	0	0	0	0
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	10,400,000	3,200,000	0	0	0	0
Sale of Dauphin Helicopters	0	17,600,000	0	0	0	0
Lottery Agent Commissions	0	7,345,833	8,903,150	8,992,181	9,082,103	9,172,924
Maryland Correctional Enterprises Revolving Fund	800,000	0	0	0	0	0
Biotechnology Investment Tax Credit Reserve Fund	650,000	0	0	0	0	0
Radiation Control Fund	300,000	0	0	0	0	0
Sustainable Communities Tax Credit Reserve Fund	0	125,000	0	0	0	0
TOTAL GENERAL FUND REVENUES	**12,150,000**	**123,212,384**	**8,903,150**	**8,992,181**	**9,082,103**	**9,172,924**
GENERAL FUND EXPENDITURES						
Fund Swaps and Cost Shifts						
Maryland Strategic Energy Investment Fund	0	(5,671,752)	(23,506,250)	(25,106,576)	(27,090,762)	(28,211,423)
State Department of Assessments and Taxation Special Administrative Fund	(303,553)	(321,535)	0	0	0	0
Maryland State Firemen’s Association Widows’ and Orphans’ Fund	0	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)
Subtotal – Fund Swaps and Cost Shifts	***(303,553)***	***(6,268,287)***	***(23,781,250)***	***(25,381,576)***	***(27,365,762)***	***(28,486,423)***
Mandate Relief						
Reduction in Pension Reinvestment Payments	(87,100,000)	(88,257,888)	(83,533,444)	(76,281,293)	(68,640,808)	(59,848,557)
Senator John A. Cade Funding Formula for Local Community College Aid	0	(4,595,627)	0	0	0	0
Joseph A. Sellinger Program for Independent Colleges and Universities	0	(3,902,334)	0	0	0	0
Maryland Agricultural and Resource-Based Industry Development Corporation	0	(1,125,000)	0	0	0	0
Subtotal – Mandate Relief	***(87,100,000)***	***(97,880,849)***	***(83,533,444)***	***(76,281,293)***	***(68,640,808)***	***(59,848,557)***
Other						
Sale of Dauphin Helicopters	0	0	17,600,000	0	0	0
Reduction of Maryland Health Insurance Plan Assessment	0	(4,338,428)	(5,879,976)	(5,976,956)	(6,075,536)	(6,175,741)
Community Partnership Assistance Program	0	2,700,000	3,600,000	3,600,000	3,600,000	3,600,000
Providers of Nonpublic Placements	0	(560,000)	0	0	0	0
Subtotal – Other	**0**	**(2,198,428)**	**15,320,024**	**(2,376,956)**	**(2,475,536)**	**(2,575,741)**
TOTAL GENERAL FUND EXPENDITURES	**(87,403,553)**	**(106,347,564)**	**(91,994,670)**	**(104,039,825)**	**(98,482,106)**	**(90,910,721)**

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SPECIAL FUND REVENUES						
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	(8,000,000)	(3,200,000)	0	0	0	0
Reduction of Maryland Health Insurance Plan Assessment	0	(48,204,750)	(65,333,071)	(66,410,627)	(67,505,954)	(68,619,348)
Sale of Dauphin Helicopters	0	(17,600,000)	0	0	0	0
TOTAL SPECIAL FUND REVENUES	**(8,000,000)**	**(69,004,750)**	**(65,333,071)**	**(66,410,627)**	**(67,505,954)**	**(68,619,348)**
SPECIAL FUND EXPENDITURES						
Transfer Tax – DNR	0	(51,851,510)	0	0	0	0
Transfer Tax – MDA	0	(17,275,034)	0	0	0	0
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	0	(3,200,000)	0	0	0	0
Reduction in Pension Reinvestment Payments	0	(6,229,678)	(5,896,203)	(5,384,311)	(4,845,008)	(4,224,407)
State Department of Assessments and Taxation Special Administrative Fund	303,553	321,535	0	0	0	0
TOTAL SPECIAL FUND EXPENDITURES	**303,553**	**(78,234,687)**	**(5,896,203)**	**(5,384,311)**	**(4,845,008)**	**(4,224,407)**
FEDERAL FUND REVENUES						
Reduction of Maryland Health Insurance Plan Assessment	0	(4,338,428)	(5,879,976)	(5,976,956)	(6,075,536)	(6,175,741)
Community Partnership Assistance Program	0	2,700,000	3,600,000	3,600,000	3,600,000	3,600,000
TOTAL FEDERAL FUND REVENUES	**0**	**(1,638,428)**	**(2,279,976)**	**(2,376,956)**	**(2,475,536)**	**(2,575,741)**
FEDERAL FUND EXPENDITURES						
Reduction in Pension Reinvestment Payments	0	(4,129,001)	(3,907,976)	(3,568,696)	(3,211,248)	(2,799,917)
Reduction of Maryland Health Insurance Plan Assessment	0	(4,338,428)	(5,879,976)	(5,976,956)	(6,075,536)	(6,175,741)
Community Partnership Assistance Program	0	2,700,000	3,600,000	3,600,000	3,600,000	3,600,000
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(5,767,429)**	**(6,187,952)**	**(5,945,652)**	**(5,686,784)**	**(5,375,658)**
NONBUDGETED EXPENDITURES						
Reduction in Pension Reinvestment Payments	0	(1,383,433)	(1,309,378)	(1,195,701)	(1,075,937)	(938,120)
TOTAL NONBUDGETED EXPENDITURES	**0**	**(1,383,433)**	**(1,309,378)**	**(1,195,701)**	**(1,075,937)**	**(938,120)**

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2014

BILL NUMBER: Senate Bill 172 / House Bill 162

PREPARED BY: Marc Nicole

(Dept./Agency) Department of Budget and Management

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

_X__ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS:

DBM estimates that the following provisions of the proposed legislation will have minimal or no economic impact on Maryland small business:

- Allowing a portion of the Charter Unit Expedited Fee to be used to cover costs in the Office of the Director of Assessments and Taxation.
- Authorizing the use of revenue from Moving Violations to support certain costs of the Maryland State Fireman's Association.
- Reducing the growth in funding for Community Colleges.
- Level funding aid to non-public institutions of higher education.
- Reducing additional payments to the pension system.

- Redirecting a portion of the short-term vehicle rental revenue from the Chesapeake Bay 2010 fund to the General Fund.

- Redirecting a portion of the capital eligible transfer tax allocations for land preservation to the General Fund.

- Redirecting funds from the sale of helicopters to the General Fund.

- Transferring funds from the University of Maryland, the Chesapeake Bay 2010 Trust Fund, the Maryland Correctional Enterprises Revolving Loan Fund, the Biotechnology Investment Tax Credit Reserve Fund, the Radiation Control Fund, and the Sustainable Communities Tax Credit Reserve Fund to the General Fund.

<u>DBM estimates that the following provisions of the proposed legislation will have meaningful economic impact on Maryland Small Business</u>:

- Authorizing the use of funding from the Not-For-Profit Development Fund to complete an evaluation of the participation of not-for-profit entities in State Procurement.

Economic Impact Analysis – Reduced funding will have an indeterminate, but negative impact on the not-for-profit entities as less funding will be made available for grants and consultative services.

- Reduced funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) in FY 2015 and the authorization of an additional year of funding for MARBIDCO in FY 2021

Economic Impact Analysis – This provision could have both a negative and positive impact on small businesses (farms). The negative impact is the result of less funding availability for loans in FY 2015. The positive impact is the availability of an additional year of funding at $4 million in FY 2021.

- Reducing Commissions to Lottery Agents and allowing for additional funding of agent incentives and bonuses

Economic Impact Analysis – This provision could have both a negative and positive impact on small businesses. The negative impact is the result of a lower commission rate for lottery agents. Depending on the structure of the additional agent incentive and bonus funding, some agents could earn more commissions than under current rules and regulations.

- Adjusting the funding allocations of revenue collected from the auctions of carbon dioxide allowances in the Regional Greenhouse Gas Initiative (RGGI).

Economic Impact Analysis – Adjusted funding levels for RGGI proceeds will have an indeterminate impact on small businesses, which could be either positive or negative depending on how funds are allocated amongst the various categories of spending allowed under the program.

- Reduced Hospital Assessments and new funding for a Community Partnership Assistance Program.

Economic Impact Analysis – New funding for community partnerships will have an indeterminate, but positive impact on small businesses (physicians offices and other small health care providers) by making additional funding available for these organizations.

- Group Home and Non-Public Placement Rate Increases – Allows for rate increases to providers.

Economic Impact Analysis-Delaying the rate increases until January 2015 will have a small negative impact on providers.