SB 172

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 172 (The President)(By Request - Administration)

Budget and Taxation Appropriations

Budget Reconciliation and Financing Act of 2014

This Administration bill executes actions to enhance revenues and reduce future year general fund expenditures, increases State funding for certain institutions of higher education, establishes a mandated appropriation for the Maryland Park Service, and makes numerous other changes.

The bill generally takes effect June 1, 2014.

Fiscal Summary

State Effect: General fund revenues increase by $66.3 million in FY 2014 primarily due to transfers, while special fund revenues decline by $8.0 million from redirection of revenues that would otherwise accrue to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. General fund revenues increase by $101.5 million in FY 2015 due to transfers and revenue enhancements, while special fund revenues decline by $95.5 million. General fund expenditures decline by $174.5 million in FY 2014 mostly due to a reduction in pension reinvestment payments. In FY 2015, general fund expenditures decline by $188.4 million due to a reduction in pension reinvestment payments, fund swaps, cost shifts, and other actions. Special fund expenditures decline by $12.0 million in FY 2014 due to mandate relief and a fund swap, and a total of $87.6 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 establishes a mandated appropriation beginning in FY 2016, and affects existing mandated appropriations.**

($ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Revenue	$66.3	$101.5	$9.1	$9.2	$9.3
SF Revenue	($8.0)	($95.5)	($95.7)	($93.0)	($94.5)
FF Revenue	$0	($4.7)	($8.2)	($8.4)	($8.5)
GF Expenditure	($174.5)	($188.4)	($125.3)	($80.8)	($31.2)
SF Expenditure	($12.0)	($87.6)	($8.8)	($5.2)	($1.6)
FF Expenditure	($8.8)	($13.0)	($14.2)	($11.9)	($9.5)
NonBud Exp.	$0	($2.8)	($2.0)	($1.2)	($.3)
Net Effect	$253.5	$293.1	$55.5	$7.0	($51.0)

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

Local Effect: Direct State aid for community colleges increases by a total of $58.8 million from FY 2016 through 2019. The potential amount of applicable interest paid by local jurisdictions on specified income tax refunds is reduced by an estimated total of $38.4 million beginning in fiscal 2015, thereby potentially preventing a corresponding loss in local income tax revenues. Local impact aid grants for the City of Laurel and Anne Arundel and Howard counties increase by $500,000 annually in FY 2015 through 2019 with a corresponding decrease for Baltimore City. 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 FY 2015 capital budget. 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 $16.6 million in FY 2015 or subsequent years. Potential significant increase in local expenditures for attorney compensation in FY 2015 to implement the holding of the Court of Appeals in *DeWolfe v. Richmond* depending on the extent to which such costs exceed $10.0 million statewide. **This bill may impose a mandate on a unit of local government**.

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. (The attached assessment does not reflect amendments to the bill.)

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 $31.0 million from University System of Maryland and $2.0 million from Morgan State University fund balances to the general fund in fiscal 2014.

- Authorizes the transfer of a total of $19.1 million from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2014, with $19.1 million contingent on enactment of HB 510 of 2014.
- 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 $6.2 million in fiscal 2015; and transfers $2.4 million of the balance in the trust fund to the general fund in fiscal 2014.
- Permanently sets lottery agent sales commissions at 5.5% and repeals the authority of the State Lottery and Gaming Control Agency (SLGCA) to authorize the payment of incentives to lottery agents and their employees.
- Redirects revenues from the sale of Dauphin 365N helicopters to the general fund in fiscal 2015 and authorizes the donation of one helicopter.
- Transfers $1.0 million from the Senior Prescription Drug Assistance Program to the general fund in fiscal 2014.
- Transfers $1.8 million from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2014 and $1.0 million to the general fund in fiscal 2015.
- 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.

Mandate Relief

- Reduces the mandated State retirement reinvestment payment from $300.0 million to $100.0 million in fiscal 2014 and 2015, and then increases the supplemental payment by $50.0 million annually until it reaches $300.0 million in fiscal 2019 and thereafter until certain conditions are met; requires the State Retirement and Pension System Board of Trustees to perform a specified study.
- 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 (SDAT) to use a special administrative fund for costs incurred to administer its Charter Unit beginning in fiscal 2014 and limits to 5% the amount of the fund that can be used for administrative expenses of the director's office.
- 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 2015.

- 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.
- Requires the Governor, beginning with the fiscal 2016 budget submission, to reduce the budgeted Medicaid deficit assessment by the full amount of the hospital inpatient and outpatient general fund savings that results from implementation of the new Maryland all-payer model.

Cost Control Measures

- 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.

Other Provisions

- Changes the statutory percentages used in the Senator John A. Cade formula for local community colleges in fiscal 2016 through 2019, returning the formula to prior statutory percentages in fiscal 2020.
- Changes the statutory percentages used in the Joseph A. Sellinger formula for qualifying independent colleges and universities in fiscal 2016 through 2020.
- Establishes a specified mandated appropriation to the Maryland Park Service from Maryland Park Service-sourced revenues collected in the Forest or Park Reserve Fund beginning in fiscal 2016.
- Maintains the certificate of title fee for rental vehicles at $50 for fiscal 2015 and 2016 only.
- 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 0.3% of hospital net patient revenue effective October 1, 2014.
- Authorizes the Health Services Cost Review Commission, subject to federal approval, to include an additional $15.0 million in hospital revenue in fiscal 2015 to assist hospitals in covering costs associated with implementation of the new all-payer model or funding specified proposals that support implementation of the model contract.

- Requires that, for fiscal 2016 through 2018 only, at least $7.0 million of the revenues derived from the work zone speed control systems, after administrative costs are paid, be distributed to the Department of State Police for the purchase of replacement vehicles and related equipment to outfit police vehicles.
- Requires SDAT to establish a workgroup to examine specified issues relating to the property assessment process for both real and personal property and the tax credits for which SDAT is responsible for calculating property tax credits and exemptions and submit a specified report.
- Establishes a Maryland Amusement Game Advisory Committee to advise SLGCA on the conduct of technical aspects of the amusement game industry and requires SLGCA to adopt regulations effective July 1, 2016, that establish license fees to cover the total costs of licensure.
- Authorizes the Secretary of Information Technology to designate any project of the Maryland Health Benefit Exchange as a Major Information Technology Project subject to specified provisions of State procurement law.
- Requires, in fiscal 2015 through 2019, that $500,000 in local video lottery terminal (VLT) impact aid be distributed as horse racing impact aid to Anne Arundel County, Howard County, and the City of Laurel to help pay for facilities and services in communities within three miles of Laurel Race Course.
- Clarifies the Core Public Health Services funding formula by specifying that inflationary adjustments are made to the prior year's formula allocation.
- Authorizes all charter counties to impose a hotel rental tax.
- Clarifies that, for purposes of local education maintenance of effort (MOE) requirements, wealth per pupil is calculated using September 1 net taxable income for fiscal 2015 through 2017; beginning in fiscal 2018, November 1 net taxable income will be used.
- Specifies that $10.0 million restricted in the fiscal 2015 budget of the Judiciary for the purpose of providing attorneys for required representation at initial appearances before District Court commissioners consistent with the holding of the Court of Appeals in *DeWolfe v. Richmond*, 434 Md. 403 (2012) and 434 Md. 444 (2013) represents a one-time allocation and establishes legislative intent that, in fiscal 2015, the costs for attorneys appointed to implement the holding beyond the amount expressly provided in the State budget are to be billed to and paid by the county in which the representation is provided.
- Authorizes, in fiscal 2014 and 2015 only, the use of a cumulative total of $5.0 million from the Economic Development Opportunities Program Account (Sunny Day Fund) and $2.5 million from the Special Fund for Preservation of Cultural Arts in Maryland for grants to supplement tax credits awarded under the film production activity tax credit program.
- Authorizes, in fiscal 2015 only, the transfer of $1.25 million from the Special Fund for Preservation of Cultural Arts in Maryland as the following grants: $800,000 to the Maryland School for the Blind; $200,000 to the Prince George's

African-American Museum and Cultural Center at North Brentwood; $150,000 to the Great Blacks in Wax Museum; and $100,000 to the Arena Players.

- Alters the annual interest rate paid for income tax refunds resulting from the final decision under *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013).
- Authorizes the Maryland Department of the Environment (MDE) to enter into a memorandum of understanding (MOU) with Carroll County or Frederick County to establish an alternative source of funding to be deposited into a local watershed protection and restoration fund.
- Requires a county (or counties) to meet the local community college MOE requirement in order for a local community college to receive a State hold harmless grant if a college is receiving less State aid through the Cade formula than the prior fiscal year.
- Renames and alters the required duties of the Joint Information Technology and Biotechnology Committee and the Joint Committee on Transparency and Open Government.
- Repeals the Joint Committee on Health Care Delivery and Financing, the Joint Committee on Welfare Reform, and the Joint Committee on Access to Mental Health Services and requires the completion of the formal revision of statutory law (*i.e.*, code revision) by the Department of Legislative Services.

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 needed to take action to reduce spending or identify additional revenues to balance the current fiscal year. This projected deficit took into account anticipated spending shortfalls requiring fiscal 2014 deficiency appropriations totaling $264.0 million.

The December baseline projection for fiscal 2015 resulted in an estimated structural deficit of $361.9 million, which was 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. Subsequent to the December forecast, BRE revised fiscal 2014 and 2015 revenues downward by a combined $237.8 million. This bill implements statutory changes that, combined with fiscal 2015 budget actions, result in an estimated $83 million general fund balance for fiscal 2015 and spending levels consistent with the SAC recommendations.

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	$58.3	$70.1
Revenue Enhancement	8.0	31.3
Revenue Subtotal	*$66.3*	*$101.5*
Expenditures		
Fund Swaps and Cost Shifts	($0.3)	($6.1)
Mandate Relief	(174.2)	(177.6)
Other	(0.0)	(4.7)
Expenditure Subtotal	*($174.5)*	*($188.4)*
General Fund Improvement	**$240.8**	**$289.9**

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

In fiscal 2014, general fund revenues increase by $66.3 million due to transfer of $31.0 million from the University System of Maryland fund balance and $19.1 million from the Sustainable Communities Tax Credit Reserve Fund; 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; and transfer of $2.0 million from Morgan State University fund balance, $1.8 million from the Maryland Correctional Enterprises Revolving Fund, $1.0 million from the Senior Prescription Drug Assistance Program, $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 $174.5 million, primarily due to a $174.2 million reduction in pension reinvestment payments. In total, the State's general fund position improves by $240.8 million in fiscal 2014.

In fiscal 2015, the State's general fund position improves by $289.9 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 $530.7 million.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 10). 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 fiscal 2015 budget are included with the discussions. **Appendix B** (pages 75-77) 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 18. Under the Administration's budget plan, all of these local funds will be replaced with GO bonds in subsequent years.

The potential amount of applicable interest paid by local jurisdictions related to income tax refunds resulting from the final decision under *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.* is reduced by an estimated total of $38.4 million beginning in fiscal 2015, thereby potentially preventing a corresponding loss in local income tax revenues.

Direct State aid for community colleges increases by a total of $58.8 million. The impact of this provision for fiscal 2016 through 2019 is shown by community college in **Exhibit 7** on page 41.

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 $16.6 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.

Additional Information

Prior Introductions: None.

Cross File: HB 162 (The Speaker)(By Request - Administration) - Appropriations.

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 24, 2014
ncs/rhh Revised - Senate Third Reader - March 25, 2014
Revised - Enrolled Bill - June 4, 2014
Revised - Correction - June 17, 2014

Analysis by: Jennifer B. Chasse

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Appendix A – Contents

Lottery Agent Sales Commissions

Provisions in the Bill: Permanently set lottery agent sales commissions at 5.5% of gross sales and repeals the authority of the State Lottery and Gaming Control Agency (SLGCA) to authorize the payment of incentives to licensed lottery agents and their employees.

Agency: State Lottery and Gaming Control Agency

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	$0.02	$7.55	$9.10	$9.19	$9.28	$9.37

State Effect: General fund revenues increase by $7.3 million in fiscal 2015 due to permanently setting lottery agent commissions at 5.5% of gross sales. The commissions were set to increase from 5.5% to 6.0% once the Baltimore video lottery facility opens in September 2014. Future years assume a 1.0% annual increase in State lottery sales. Additionally, general fund revenues increase by approximately $17,000 in fiscal 2014 and by approximately $0.2 million annually thereafter due to the repeal of lottery agent bonuses. Under current law, SLGCA has the authority to use 0.5% of the gross lottery sales to grant bonuses and incentives to licensed agents, but SLGCA has not fully utilized this authority. In recent years, SLGCA has had the authority to grant an average of $8.7 million in bonuses annually, but it has only granted an average of $0.2 million in bonuses, so the Department of Legislative Services assumes general fund revenues only increase by $0.2 million annually from eliminating the bonuses beginning in June 2014.

Program Description: In exchange for selling State lottery products, licensed agents earn a commission, currently set at 5.5% of gross lottery sales. Under current law, 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 Provision in the Bill: Section 1 (p. 23)

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 $6.2 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			*($ in millions)*			
Impact:	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$10.4	$6.2	$0	$0	$0	$0
SF Rev	($8.0)	($6.2)	$0	$0	$0	$0
SF Exp	$0	($6.2)	$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 $6.2 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 fiscal 2015 budget includes $39.4 million for programs funded by the trust fund, accounting for the $6.2 million reduction in funding that is transferred to the general fund by this provision. 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 $16.6 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. *As introduced,* the fiscal 2015 budget allocated $9.86 million from the trust fund for local governments;

however, as a result of these provisions redirecting revenues, the spending plan for these funds will likely be revised, which may impact the allocation to local governments. 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 fiscal 2015 capital budget includes funding for the trust fund to accelerate progress toward the State's nutrient reduction goals. Specifically, the 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 9 (pp. 27 and 41)

Analysis prepared by: Andrew D. Gray

Transfer Tax Special Fund

Provision in the Bill: Authorizes the transfer of an additional $69,126,544 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 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 for local POS purposes in the 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 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 (pp. 27-28)

Analysis prepared by: Andrew D. Gray

Sale of Dauphin Helicopters

Provisions in the Bill: Require that any revenue generated by the sale of Dauphin 365N helicopters must be credited to the general fund rather than the Annuity Bond Fund (ABF), as required under current law. The Department of State Police is authorized to donate one helicopter to the Smithsonian Institution at no cost.

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 as much as $17.6 million in fiscal 2015 from the sale of Dauphin helicopters. Any reduction in revenues generated by the sale due to the donation of one helicopter is anticipated to be minimal. 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 fiscal 2015 State budget includes $140.0 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 Agusta Westland. 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 as much as $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 6 (p. 39)

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 9 (pp. 40-41)

Analysis prepared by: Andrew D. 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 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 9 (pp. 40-41)

Analysis prepared by: Stephen M. Ross

Maryland Correctional Enterprises Revolving Fund

Provisions in the Bill: Authorize the transfer of $1,800,000 from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2014 and an additional $1,000,000 in fiscal 2015.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$1.8	$1.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.8 million in fiscal 2014 and $1.0 million in fiscal 2015 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 combined transfer of $2.8 million, the Maryland Correctional Enterprises Revolving Fund will retain a fund balance of approximately $12.3 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: Sections 9 and 10 (p. 41)

Analysis prepared by: Rebecca J. Ruff

Sustainable Communities Tax Credit Reserve Fund

Provisions in the Bill: Authorize the transfer of a total of $19,096,632 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2014.

Agency: Maryland Department of Planning

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$19.1	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $19.1 million in fiscal 2014 due to the transfer of $125,000, which represents appropriated funding that went unused in fiscal 2013, and $18,971,632, which reflects the amount of 26 commercial tax credit certificates issued in fiscal 2006 through 2010 that have not been claimed. These funds otherwise would have accrued to the general fund in future years. Transfer of the $18,971,632 is contingent upon enactment of House Bill 510 of 2014.

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 into 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. 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 Provisions in the Bill: Sections 9, 11, and 21 (pp. 40-42 and 44)

Analysis prepared by: Scott D. Kennedy

University System of Maryland Fund Balance Transfer

Provision in the Bill: Authorizes the transfer of $31,000,000 from University System of Maryland (USM) fund balances to the general fund in fiscal 2014.

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	$31.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $31.0 million in fiscal 2014 as a result of the transfer. An estimated $860.7 million remains in the fund balances after the transfer, of which $173.0 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. 41)

Analysis prepared by: Sara J. Baker

Senior Prescription Drug Assistance Program

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Senior Prescription Drug Assistance Program (SPDAP) fund to the general fund in fiscal 2014.

Agency: Maryland Health Insurance Plan

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$1.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.0 million in fiscal 2014 due to the transfer. Future years are not affected.

Program Description: SPDAP provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. SPDAP provides a premium subsidy of up to $40 per month toward members' Medicare Part D premiums. In addition, SPDAP provides a subsidy of up to $3,427.13 per year to help members pay their prescription drug costs for the coverage gap or "donut hole."

SPDAP receives special funds from a portion of the value of CareFirst's premium tax exemption and $4.0 million, also from CareFirst, for the coverage gap subsidy when CareFirst's surplus reaches certain statutory levels. SPDAP terminates December 31, 2014. Chapter 84 of 2014 extended the sunset by two years. The latest revenue and expenditure projections indicate that SPDAP will have a fund balance of $3.0 million at the end of fiscal 2015.

Recent History: The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized a transfer of $2.5 million from the SPDAP fund to Medicaid in fiscal 2011, transfer of $3.0 million in fiscal 2012 and 2013 from SPDAP to the Kidney Disease Program, and $1.5 million from SPDAP to the general fund in fiscal 2012.

The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized a transfer of $5.0 million from SPDAP to Medicaid and $10.5 million from SPDAP to the Kidney Disease Program in fiscal 2010, and $1.5 million from SPDAP to the Kidney Disease Program in fiscal 2011.

Location of Provision in the Bill: Section 9 (pp. 40-41)

Analysis prepared by: Simon G. Powell

Morgan State University Fund Balance Transfer

Provision in the Bill: Authorizes the transfer of $2,000,000 from the funds in the accounts of Morgan State University to the general fund in fiscal 2014.

Agencies: Morgan State University

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions) **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Rev	$2.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.0 million in fiscal 2014 due to the transfer. An estimated $21.0 million remains in the fund balance after the transfer. Future years are not affected.

Program Description: The Morgan State University (MSU) fund balance is maintained to protect individuals who hold MSU-related bonds, to fund capital needs, and to preserve the system's credit rating.

Recent History: In fiscal 2010, the State transferred $2.1 million from MSU's fund balance to the general fund, of which $0.8 million was related to furlough savings and $1.3 million was a reduction of MSU's fund balance.

Location of Provision in the Bill: Section 9 (p. 41)

Analysis prepared by: Sara J. 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 fiscal 2015 budget includes $2,875,000 for MARBIDCO consistent with this provision. 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 (pp. 10-11)

Analysis prepared by: Scott D. Kennedy

Reduction in Pension Reinvestment Payments

Provisions in the Bill: Reduce the State's mandated supplemental contributions to the State Retirement and Pension System (SRPS) from $300.0 million to $100.0 million for fiscal 2014 and 2015; the supplemental contribution then increases by $50.0 million annually until it reaches $300.0 million in fiscal 2019. The supplemental contribution terminates when the phase-out of the corridor funding method is complete and the system is at least 85% funded. Based on the results of the actuarial valuation as of June 30, 2014, the SRPS Board of Trustees must perform a study of various aspects of the system's funding and report its results to specified committees of the General Assembly by January 1, 2015.

Agencies: All

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	($174.2)	($176.5)	($127.1)	($75.9)	($22.1)	$29.1
SF Exp	($12.3)	($12.5)	($9.0)	($5.4)	($1.6)	$2.1
FF Exp	($8.8)	($8.3)	($5.9)	($3.6)	($1.0)	$1.4
NonBud	($0.0)	($2.8)	($2.0)	($1.2)	($0.3)	$0.5

State Effect: State pension contributions decrease by $197.2 million in fiscal 2014. State pension contributions decrease by a total of $200.0 million in fiscal 2015, of which 88.3% is general funds and the remainder is divided among special, federal, and nonbudgeted funds. In future years, the total amount of savings decreases, reflecting increased supplemental contributions and higher amortization payments that result from the mandated reduction in annual State contributions in earlier years. Beginning in fiscal 2019, the supplemental payment is fully restored to $300.0 million – there is a net increase in State contributions resulting from the higher amortizations payments. The SRPS Board of Trustees can conduct the mandated study with existing budgeted resources.

The fiscal 2015 State budget includes a $197.2 million reduction (including general, special, and federal funds) contingent on enactment of SB 172 or HB 162 of 2014.

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 $120.0 million of the roughly $300.0 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 $300.0 million cap, with the total savings projected to exceed that amount each year.

Chapter 440 of 2002 enacted the corridor funding method, which sought to mitigate the effects of fluctuations in market returns on employer contribution rates to SRPS by spreading out those effects over five years. The corridor method froze employer contribution rates for the employees' and teachers' combined systems at their fiscal 2002 levels as long as the two systems remained actuarially funded between 90% and 110%. As the plans fall out of their corridors, the employer contributions increase by an amount equal to one-fifth of the difference between the prior year's rate and the "true" rate required to fully fund the systems. The employees' combined systems fell out of their corridor in fiscal 2005, followed by the teachers' combined systems in fiscal 2006. Chapters 475 and 476 of 2013 phase out the corridor funding method over 10 years and replace the current tiered amortization method with a closed, 25-year amortization period for all existing and future liabilities.

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 balancing the fiscal 2014 budget. The General Assembly's consulting actuary projects that the bill's schedule of supplemental contributions results in SRPS reaching the 80% funded level in fiscal 2025 and the 85% funded level in fiscal 2028. The corridor funding method will be fully phased out in fiscal 2024.

Location of Provisions in the Bill: Sections 1 and 7 (pp. 25-27, 40)

Analysis prepared by: Michael C. Rubenstein

State Department of Assessments and Taxation Special Administrative Fund

Provisions in the Bill: Authorize 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. Beginning in fiscal 2015, SDAT may not use the fund to pay more than 5% of administrative expenses of the Office of the Director.

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	($303,550)	($143,724)	($152,347)	($161,488)	$0	$0
SF Exp	$303,550	$143,724	$152,347	$161,488	$0	$0

State Effect: General fund expenditures decrease by $303,550 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. 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 2017. The fiscal 2014 general fund reduction and special fund appropriation, as well as a $143,724 general fund reduction in the 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 Provisions in the Bill: Section 1 (pp. 7-8)

Analysis prepared by: Michael D. 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: Military Department

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. 8-9)

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	*($ in millions)*					
Impact:	**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 6** 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 6
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. 32-34)

Analysis prepared by: Tonya D. Zimmerman

Medicaid Deficit Assessment

Provisions in the Bill: Require the Governor, beginning with the fiscal 2016 State budget submission, to reduce the budgeted Medicaid deficit assessment by the full amount of the hospital inpatient and outpatient general fund savings that accrue to Medicaid as a result of implementation of Maryland's all-payer model. The extent of the savings must be calculated by the Health Services Cost Review Commission (HSCRC) and the Department of Health and Mental Hygiene (DHMH) using a methodology developed in consultation with the Maryland Hospital Association. HSCRC and DHMH must model the methodology for calculating savings by comparing an average baseline of Medicaid total risk-adjusted hospital expenditures per beneficiary over a reasonable period of time prior to implementation of the model contract to the actual Medicaid total risk-adjusted hospital expenditures per beneficiary during the period under the model contract. To the extent HSCRC takes other actions that reduce Medicaid costs, those savings must also be used to reduce the budgeted Medicaid deficit assessment.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

State Effect: To the extent that the Medicaid program realizes savings from actions taken under the new Maryland all-payer model and those savings are applied to lowering the Medicaid deficit assessment, special fund revenues and expenditures decline. Absent this provision, any savings would result in either lower general or special fund expenditures.

Recent History: On January 10, 2014, the federal Center for Medicare and Medicaid Innovation (CMMI) announced approval of the new model to replace the State's all-payer, rate-regulated hospital financing system – the Maryland all-payer model. Under the model, Maryland will transition from the current waiver to a new five-year demonstration contract. The model contract includes the following major components:

- **All-payer Total Hospital Cost Growth Ceiling:** Maryland will limit inpatient and outpatient hospital cost growth for all payers to a trend based on the State's 10-year compound annual gross State product (3.58% for the first three years).
- **Medicare Total Hospital Cost Growth Ceiling:** Maryland will limit Medicare per-beneficiary total hospital cost growth, setting a per-beneficiary spending target sufficient to produce $330.0 million in cumulative Medicare savings over five years beginning with an estimated $49.5 million in savings in 2015.
- **Population-based Revenue:** Hospital reimbursement will shift from a per-case system to a population-based system, with at least 80% of hospital revenues shifted to global budgeting over the five-year period.

- **Reduction of Hospital Readmissions:** Maryland will commit to reducing its Medicare readmission rate over five years.
- **Reduction of Hospital Acquired Conditions:** Maryland will achieve an annual aggregate reduction of 6.89% in potentially preventable conditions measures through the current Hospital Acquired Conditions Program for a cumulative reduction of 30% over five years.

The demonstration will be deemed successful if Maryland can meet the hospital cost and quality targets without inappropriately shifting costs to nonhospital settings *and* if there is a measurable improvement in quality of care. DHMH anticipates that the model will produce net savings for the federal government, the State, and private payers, while providing stability and predictability for Maryland.

Location of Provisions in the Bill: Section 2 (pp. 34-36)

Analysis prepared by: Simon G. Powell

Rates for Residential Child Care Group Homes

Provision in the Bill: Limits 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.

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 $4.0 million to $6.0 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 Provision in the Bill: Section 8 (p. 40)

Analysis prepared by: Richard H. Harris

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

Provision in the Bill: Changes the statutory percentages used in the Senator John A. Cade formula for local community colleges in fiscal 2016 through 2019. The funding formula's statutory percentages are increased in fiscal 2016 through 2019 to increase State support to qualifying community colleges. The formula returns to the prior percentages in statute in fiscal 2020 and reaches its full funding level in fiscal 2023, the same year as in current statute.

Agency: Maryland Higher Education Commission

Type of Action: Other

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	$0	$12.0	$19.2	$13.4	$14.1

State Effect: Under the revised funding percentages, mandated general fund expenditures for the Cade formula increase by a total of $58.8 million from fiscal 2016 through 2019. Future year general fund expenditures are unchanged.

Local Effect: Direct State aid for local community colleges increases by a total of $58.8 million from fiscal 2016 through 2019. The Cade formula will phase up to full funding by fiscal 2023. The impact of this provision for fiscal 2016 through 2019 is shown by college in **Exhibit 7**.

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 7
Fiscal 2016 through 2019 Increase in Cade Formula Funding by Community College Under the Budget Reconciliation and Financing Act of 2014

Community College	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Allegany College	$267,513	$416,351	$287,275	$298,895
Anne Arundel Community College	1,565,668	2,432,732	1,695,090	1,777,238
Community College of Baltimore County	2,089,437	3,253,211	2,260,243	2,380,577
Carroll Community College	419,008	663,621	467,668	495,902
Cecil Community College	291,562	460,941	321,040	338,020
College of Southern Maryland	733,965	1,158,915	807,801	847,398
Chesapeake College	238,905	492,419	341,441	357,536
Frederick Community College	489,634	767,554	534,504	564,143
Garrett College	140,434	219,234	153,123	161,445
Hagerstown Community College	434,037	688,038	481,080	507,512
Harford Community College	610,033	964,764	670,866	705,258
Howard Community College	861,493	1,366,999	963,493	1,019,655
Montgomery College	2,282,239	3,622,367	2,533,498	2,674,158
Prince George's Community College	1,381,707	2,151,249	1,495,823	1,569,362
Wor-Wic Community College	235,489	572,896	401,619	425,270
Total	**$12,041,123**	**$19,232,294**	**$13,414,566**	**$14,122,366**

Note: Numbers may not sum due to rounding.

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. 11-14)

Analysis prepared by: Garret T. Halbach

Joseph A. Sellinger Program for Independent Colleges and Universities

Provisions in the Bill: Change the statutory percentages used in the Joseph A. Sellinger formula for qualifying independent colleges and universities. The funding formula's statutory percentages are altered in fiscal 2016 through 2020 in a manner that requires increases in funding in the first three years, offset by decreases in funding in the last two years. The formula returns to its full funding level in fiscal 2021, the same year as in current statute.

Agency: Maryland Higher Education Commission

Type of Action: Other

Fiscal Impact:	($ in millions) **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	$0	$3.0	$5.8	$6.6	($2.9)

State Effect: Under the revised funding percentages, mandated general fund expenditures for the Sellinger formula increase in fiscal 2016 through 2018 by a total of $15.5 million, but decrease by $16.1 million across fiscal 2019 and 2020.

Program Description: The Joseph A. Sellinger Program provides State funding to 14 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 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) reduced the statutory percentages and set State funding per FTES 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 with the fiscal 2015 appropriation. In fiscal 2014, the college received $233,874 under the formula.

Location of Provisions in the Bill: Section 1 (pp. 14-16)

Analysis prepared by: Garret T. Halbach

Maryland Park Service – Forest or Park Reserve Fund Revenues

Provision in the Bill: Requires the Governor to include in the State budget the following specified appropriations for the Maryland Park Service from Maryland Park Service-sourced revenues collected in the Forest or Park Reserve Fund: at least 60% of the revenues for fiscal 2016; at least 80% of the revenues for fiscal 2017; and 100% of the revenues for fiscal 2018 and each fiscal year thereafter.

Agency: Department of Natural Resources (DNR)

Type of Action: Funding mandate

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	$0	$1.3	$4.0	$6.6	$6.6

State Effect: DNR general fund expenditures increase by an estimated $1,271,360 in fiscal 2016, $3,956,403 in fiscal 2017, and $6,641,446 in fiscal 2018 and 2019 to backfill Maryland Park Service-sourced special funds no longer available to the Office of the Secretary, Forest Service, Land Acquisition and Planning, and Engineering and Construction programs. This estimate is based on the following assumptions: (1) Office of the Secretary administrative expenses will not be taken out of the Maryland Park Service's allocation; (2) in future years, Maryland Park Service-sourced revenues are equivalent to fiscal 2015 estimated revenues; (3) all funding for other DNR programs funded by Maryland Park Service-sourced revenues will be maintained at a level equivalent to fiscal 2015 funding levels; and (4) $989,784 in general funds included in the fiscal 2015 budget for the Maryland Park Service will be used to defray the overall general fund expenditure increase in the other DNR programs in each year.

Local Effect: None. The payment-in-lieu-of-taxes provision in Natural Resources Article § 5-212(g)(1) is unaffected.

Program Description: The Forest or Park Reserve Fund is administered by DNR and is used to purchase and manage State lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. The fund, which consists of all revenues derived from State forests, parks, and other specified lands, may only be used for purchasing and managing those lands; helping to offset the costs of developing and implementing a forest health emergency contingency program; specified payments to counties; and administrative costs. Fiscal 2015 revenue to the fund is anticipated to total $16,627,290, of which $13,425,215 is Maryland Park Service-sourced revenue and $3,202,075 is Forest Service-sourced revenue. The Maryland Park Service's allocation of its own revenue in fiscal 2015 is $5,793,985, or 43%.

Recent History: The Budget Reconciliation and Financing Act of 2011 (Chapter 397) prohibited DNR from making revenue sharing payments to counties from park earnings in fiscal 2012 and 2013; and transferred $256,000 from the Forest or Park Reserve Fund to the general fund in fiscal 2011. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) prohibited DNR from making county payments from the fund related to park revenues for fiscal 2010 and 2011 only.

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

Analysis prepared by: Andrew D. Gray

Certificate of Title Fee for Rental Vehicles

Provision in the Bill: Maintains the certificate of title fee for rental vehicles at $50 for fiscal 2015 and 2016 only.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Other

Fiscal Impact:	*($ in millions)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
TTF Rev	$0	($4.2)	($4.2)	($0)	($0)	($0)

State Effect: Transportation Trust Fund (TTF) revenues decline by an estimated $4.2 million annually in fiscal 2015 and 2016 due to keeping the certificate of title for rental vehicles at $50 rather than allowing the fee to increase to $100.

Local Effect: Local highway user revenues decline by a minimal amount annually in fiscal 2015 and 2016.

Program Description: A certificate of title fee is a one-time fee assessed when a vehicle is purchased. Revenues from the certificate of title fee are evenly divided between TTF and the Motor Vehicle Administration's cost recovery calculation. Under current law, the certificate of title fee for rental vehicles is set to increase to $100 in fiscal 2015.

Recent History: The Budget Reconciliation and Financing Act of 2011 (Chapter 397) increased the certificate of title fee from $50 to $100, except for rental vehicles, which were subject to a $50 fee for fiscal 2012 through 2014 only. The fee was increased from $23 to $50 by Chapter 6 of the 2007 special session.

Location of Provision in the Bill: Section 1 (p. 34)

Analysis prepared by: Jennifer B. Chasse

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 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 (p. 10)

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 0.3% 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 Impact:	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
			($ in millions)			
SF Rev	$0	($67.5)	($91.5)	($93.0)	($94.5)	($96.1)
FF Rev	$0	($6.1)	($8.2)	($8.4)	($8.5)	($8.6)
GF Exp	$0	($6.1)	($8.2)	($8.4)	($8.5)	($8.6)
FF Exp	$0	($6.1)	($8.2)	($8.4)	($8.5)	($8.6)

State Effect: Special fund revenues to the MHIP fund decline by $67.5 million in fiscal 2015 from the reduction in the MHIP assessment from 1.0% to 0.3%. 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 $12.2 million in fiscal 2015 ($6.1 million in general funds and $6.1 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 fiscal 2015 budget includes a $4.7 million reduction in Medicaid general funds contingent upon the enactment of legislation reducing the MHIP assessment. The $6.1 million reduction due to this provision is partially offset by an increase in Medicaid expenditures associated with a proposed one-time increase in hospital rates.

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.

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 (p. 36)

Analysis prepared by: Simon G. Powell

Health Services Cost Review Commission – Maryland All-payer Model

Provision in the Bill: Authorizes the Health Services Cost Review Commission (HSCRC), subject to the approval of the Center for Medicare and Medicaid Innovation (CMMI), to include an additional $15,000,000 in hospital revenue when determining hospital rates that are effective in fiscal 2015 for the purpose of (1) assisting hospitals in covering costs associated with implementation of the new Maryland all-payer model contract or (2) funding statewide or regional proposals that support implementation of the model contract. This provision applies to fiscal 2015 only.

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	$1.4	$0	$0	$0	$0
GF Exp	$0	$1.4	$0	$0	$0	$0
FF Exp	$0	$1.4	$0	$0	$0	$0

State Effect: Medicaid expenditures increase by an estimated total of $2.7 million in fiscal 2015 ($1.35 million in general funds, $1.35 million in federal funds) as a result of a $15.0 million increase in hospital rates. 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 hospital revenues annually.

Program Description: The provision authorizes a one-time increase in rate support to hospitals or for statewide/regional proposals that support implementation of the new Maryland all-payer model contract. Spending that is provided to hospitals will be done through criteria established by HSCRC. Spending for statewide/regional proposals will be done through guidelines established by the Health Care Delivery Reform Subcommittee of the Health Care Reform Coordinating Council and approved by HSCRC and DHMH.

Recent History: On January 10, 2014, CMMI announced approval of the new model to replace the State's all-payer, rate-regulated hospital financing system – the Maryland all-payer model contract. Under the model contract, Maryland will transition from the current waiver to a new five-year demonstration contract. The model contract includes the following major components:

- **All-payer Total Hospital Cost Growth Ceiling:** Maryland will limit inpatient and outpatient hospital cost growth for all payers to a trend based on the State's 10-year compound annual gross State product (3.58% for the first three years).

- **Medicare Total Hospital Cost Growth Ceiling:** Maryland will limit Medicare per-beneficiary total hospital cost growth, setting a per-beneficiary spending target sufficient to produce $330.0 million in cumulative Medicare savings over five years beginning with an estimated $49.5 million in savings in 2015.

- **Population-based Revenue:** Hospital reimbursement will shift from a per-case system to a population-based system, with at least 80% of hospital revenues shifted to global budgeting over the five-year period.

- **Reduction of Hospital Readmissions:** Maryland will commit to reducing its Medicare readmission rate over five years.

- **Reduction of Hospital Acquired Conditions:** Maryland will achieve an annual aggregate reduction of 6.89% in potentially preventable conditions measures through the current Hospital Acquired Conditions Program for a cumulative reduction of 30% over five years.

The demonstration will be deemed successful if Maryland can meet the hospital cost and quality targets without inappropriately shifting costs to nonhospital settings *and* if there is a measurable improvement in quality of care. DHMH anticipates that the model will produce net savings for the federal government, the State, and private payers, while providing stability and predictability for Maryland.

Location of Provision in the Bill: Section 5 (pp. 38-39)

Analysis prepared by: Simon G. Powell

Speed Monitoring Systems – Department of State Police Motor Vehicles

Provision in the Bill: Requires that, for fiscal 2016 through 2018 only, at least $7,000,000 of the revenues derived from the work zone speed control systems, after administrative costs are paid, be distributed to the Department of State Police (DSP) for the purchase of replacement vehicles and related motor vehicle equipment used to outfit police vehicles.

Agencies: Department of State Police; Maryland Department of Transportation

Type of Action: Redirected special fund spending

State Effect: This provision maintains for an additional three years a dedicated allocation of speed camera revenues for the purchase of replacement vehicles and related equipment. Overall special fund finances are unaffected, since DSP would have received these funds for roadside enforcement activities. The availability of special funds to DSP for the purchase of replacement vehicles and related motor vehicle equipment could reduce the need to appropriate general funds for this purpose in fiscal 2016 through 2018.

Conversely, DSP has been utilizing speed camera revenue for personnel costs; therefore, restricting additional speed camera revenue for vehicles reduces funding available for personnel costs, which may need to be replaced with general funds. The fiscal 2015 budget includes a total of $7.0 million from speed camera revenue to purchase vehicles and related equipment, or an increase of $4.0 million over fiscal 2014. In addition, the fiscal 2015 budget includes a decrease of $3.9 million in special funds with a corresponding $3.6 million increase in general funds for turnover expectancy to cover personnel costs previously funded by speed camera revenues.

Program Description: Chapter 500 of 2009 authorized applicable law enforcement agencies to issue violations or warnings for speeding at least 12 miles per hour above the posted speed limit in designated work zones. Pursuant to Chapter 500, all citations have to be verified by DSP or the Maryland Transportation Authority Police. Chapter 500 directs the Comptroller to distribute revenues collected through the use of a work zone speed control system to a special fund, and then to distribute funds to the State Highway Administration and DSP to cover the costs of administering the program. Any remaining revenues are distributed to DSP to fund roadside enforcement activities, per Chapter 1 of the 2012 first special session.

Recent Actions: In recent years, cost containment actions have significantly reduced funding for the replacement of DSP motor vehicles. The Budget Reconciliation and Financing Act of 2011 (Chapter 397) required that, for fiscal 2013 through 2015 only, $3.0 million annually of the revenues derived from the work zone speed control systems, after administrative costs, be distributed to DSP for the purchase of replacement vehicles and related motor vehicle equipment. As of July 2013, about 48% of DSP vehicles had over 180,000 miles.

Location of Provision in the Bill: Section 2 (p. 34)

Analysis prepared by: Laura M. Vykol

State Department of Assessments and Taxation Workgroup

Provisions in the Bill: Require the State Department of Assessments and Taxation (SDAT) to establish a workgroup to examine issues related to the property assessment process for both real and personal property and the tax credit programs for which SDAT is responsible for calculating property tax credits and exemptions. By December 15, 2014, the workgroup must submit a report of its findings and recommendations to the Governor and the General Assembly. Notwithstanding any other provision of law, on the recommendation of the workgroup and in compliance with State procurement law, SDAT may contract with a consultant for auditing assistance in determining the accuracy of real property values and homeowner tax credits and the proper incorporation of new and improved properties.

Agency: State Department of Assessments and Taxation

Type of Action: Other

Fiscal Impact:	*($ in dollars)* **FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
GF Exp	$0	$25,000	$0	$0	$0	$0

State Effect: General fund expenditures increase by $25,000 in fiscal 2015 for SDAT to contract with an outside consultant to assist the workgroup.

Program Description: The workgroup, chaired by the Director of Assessments and Taxation, must examine (1) whether a physical exterior inspection of each property is necessary to properly assess real property for tax purposes; (2) SDAT's ability to maintain changes in property status that may occur throughout the year and incorporate new properties in the system of accounts; (3) the extent of discrepancies in the calculation of certain tax credits and exemptions and approaches for improving accuracy; and (4) the feasibility of and any legal impediments to contracting with a third-party vendor to perform specified periodic audits.

Recent History: None.

Location of Provisions in the Bill: Section 14 (pp. 42-43)

Analysis prepared by: Jordan D. More

Maryland Amusement Game Advisory Committee

Provisions in the Bill: Establish a Maryland Amusement Game Advisory Committee to advise the State Lottery and Gaming Control Agency (SLGCA) on the conduct and technical aspects of the amusement game industry, including recommendations for the legality of skills-based amusement games. SLGCA must adopt regulations that establish license fees, effective on July 1, 2016, that are sufficient to cover the direct and indirect costs of licensure.

Agency: State Lottery and Gaming Control Agency

Type of Action: Other

State Effect: Prohibiting SLGCA from charging license fees related to electronic gaming devices until July 1, 2016, will have minimal or no fiscal impact on the agency. Furthermore, SLGCA license fees must cover the direct and indirect costs of licensure; thus, any license fee revenue will be offset by licensing expenditures. SLGCA can staff the advisory committee and reimburse advisory committee members for expenses with existing budgeted resources.

Program Description: The Governor must designate the chair of the advisory committee. SLGCA must provide staff for the advisory committee. Members of the advisory committee may not receive compensation but are entitled to reimbursement for expenses.

Recent History: Chapter 603 of 2012 required SLGCA to certify and regulate the operation, ownership, and manufacture of an electronic gaming device authorized under Title 12 of the Criminal Law Article, excluding authorized paper tip jar gaming and authorized Eastern Shore slot machines that are subject to regulation by the Comptroller's Office.

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

Analysis prepared by: Heather N. Ruby

Maryland Health Benefit Exchange – Oversight by Department of Information Technology

Provisions in the Bill: Authorize the Secretary of Information Technology to designate an information technology (IT) project developed by the Maryland Health Benefit Exchange (MHBE) as a Major Information Technology Development Project subject to Title 3A of the State Finance and Procurement Article.

Agencies: Maryland Health Benefit Exchange, Department of Information Technology (DoIT)

Type of Action: Administrative

State Effect: Indeterminate

Program Description: MHBE is a public corporation and a unit of State government but is exempt from various aspects of State law including some parts of State procurement and personnel law. Current law does not specify whether MHBE is subject to Title 3A of the State Finance and Procurement Article, which details the oversight of major IT development projects by DoIT, nor does it specifically exclude it from that provision. MHBE was advised by counsel that its broad statutory enacting language, which emphasizes independence from operational rules and regulations applicable to other agencies, make MHBE not subject to that oversight. Prior opinions of the Office of the Attorney General concerning the status of agencies like the Maryland Stadium Authority and the Maryland Automobile Insurance Fund support this conclusion.

The major IT development project oversight process under DoIT is intended to promote best practices in the development of IT projects and assure that major IT projects are delivered on time, within budget, and with required functionality.

Location of Provisions in the Bill: Section 2 (pp. 31-32)

Analysis prepared by: Simon G. Powell

Horse Racing Local Impact Aid – Video Lottery Terminal Impact Aid

Provisions in the Bill: Require, in fiscal 2015 through 2019, that $500,000 in local video lottery terminal (VLT) impact aid be distributed as horse racing impact aid to Anne Arundel County, Howard County, and the City of Laurel to help pay for facilities and services in communities within three miles of Laurel Race Course. Anne Arundel County, Howard County, and the City of Laurel must report to the Legislative Policy Committee (LPC) annually on the distribution of funds. Baltimore City must establish a schedule for the distribution and expenditure of VLT impact aid it receives and provide quarterly reports to LPC.

Agency: State Racing Commission

Type of Action: Other

State Effect: None.

Local Effect: Local impact aid for Anne Arundel and Howard counties and the City of Laurel increases by a total of $500,000 annually in fiscal 2015 through 2019. Anne Arundel County will receive approximately $357,100, Howard County will receive approximately $89,300, and the City of Laurel will receive approximately $53,600 annually. Baltimore City revenues from VLT impact aid decrease by $500,000 annually in fiscal 2015 though 2019.

Program Description: Horse racing impact aid consists of grants to counties and municipalities that contain or are located close to racetracks. The aid has been in place since 1975 and is derived in part from the collection of the tax on horse race wagering. The amounts granted to each jurisdiction are mandated by statute and are largely based on the number of racing days held each year. In recent years, revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses, mainly due to a reduction in racing days.

Local impact grants that are allocated from VLT proceeds are primarily distributed as follows:

- 82% of the allocation for local impact grants goes to local jurisdictions with VLT facilities, based on each jurisdiction's percentage of overall gross revenues from VLTs; and
- 18% of the allocation for local impact grants goes for 20 years (starting in fiscal 2012 and ending in fiscal 2032) to Baltimore City through the Pimlico Community Development Authority primarily for the community surrounding Pimlico and to Prince George's County for the community surrounding Rosecroft ($1.0 million annually), except that the 18% dedication does not apply to revenues generated by Allegany, Cecil, and Worcester county facilities upon issuance of the Baltimore City license (estimated in September 2014).

Exhibit 8 shows the mandated uses of the horse racing special fund. With mandates totaling almost $3.6 million and expected revenues of only $2.4 million, a shortfall of $1.2 million is anticipated in fiscal 2015.

Exhibit 8
Horse Racing Special Fund – Mandated Uses
Fiscal 2015

	Mandate	Available Funds
Agriculture and Fairs		
Great Pocomoke Fair	$20,000	$20,000
Great Frederick Fair	40,000	40,000
Agricultural Education Foundation	75,000	75,000
Agricultural Fair Board	825,000	825,000
Maryland State Fair and Agricultural Society	500,000	500,000
Maryland Million	500,000	500,000
Standardbred Race Fund Sire Stakes	350,000	350,000
Subtotal	***$2,310,000***	***$2,310,000***
Impact Aid		
Anne Arundel	$339,000	$19,769
Baltimore	50,000	2,916
Howard	84,750	4,942
Prince George's	100,000	5,832
Baltimore City	609,000	35,515
Bowie	18,200	1,061
Laurel	50,850	2,965
Subtotal	***$1,251,800***	***$73,000***
Total	**$3,561,800**	**$2,383,000**
Estimated Revenues Fiscal 2015	**$2,383,000**	
Shortfall	**($1,178,800)**	

Source: Governor's Budget Books, Fiscal 2015; State Racing Commission

Recent History: In the past five fiscal years, revenues in the horse racing special fund have been insufficient to fully fund local impact grants. The Budget Reconciliation and Financing Act of 2013 (Chapter 425) specifies that if, in any fiscal year, revenues to the horse racing special fund are not sufficient to fully fund local impact aid, the Comptroller must proportionately reduce the amount of grants required to be paid.

Location of Provisions in the Bill: Section 1 (pp. 23-25)

Analysis prepared by: Michael D. Sanelli

Core Public Health Services Funding Formula

Provision in the Bill: Clarifies the Core Public Health Services (CPHS) funding formula by specifying that inflationary adjustments are made to the prior year's formula allocation.

Agency: Department of Health and Mental Hygiene

Type of Action: Other

State Effect: None. The provision codifies current practice.

Local Effect: None. The provision codifies current practice.

Program Description: CPHS funding is established by a statutory formula, known as the targeted local health formula, which operates as the sole statutory funding mechanism for local health services. The formula adjustment factor is mandated under § 2-302 of the Health-General Article and is calculated by combining an inflation factor with a population growth factor. Specifically, statute mandates that for fiscal 2013 and each subsequent year the formula adjustment factor be applied to the $37.3 million base funding level. Prior to cost containment actions that began in 2009, the inflationary adjustment had been made to the previous year's base allocation.

Given that the formula adjustment factor is applied to the base year rather than the prior fiscal year under current law, funding for CPHS may, in fact, decline rather than grow from year to year. Moreover, the formula does not account for ongoing expenditures related to the annualization of cost-of-living adjustments. Additional funding for such expenditures is not mandated by statute and is instead budgeted at the discretion of the Governor. However, current practice is to make inflationary adjustments not to the statutory base but rather to the prior year allocation. Therefore, the bill codifies current practice and does not affect the total formula amount.

Location of Provision in the Bill: Section 1 (p. 16)

Analysis prepared by: Jennifer A. Ellick

Hotel Rental Tax

Provision in the Bill: Authorizes all charter counties to impose a hotel rental tax.

Agency: None

Type of Action: Other

State Effect: None.

Local Effect: Harford County, a charter county, is the only county that does not currently impose a hotel rental tax. To the extent the county imposes a hotel rental tax, county revenues will increase. The amount of the increase depends on a number of factors including the number of hotel rooms, occupancy rates, and the hotel rental tax rate. Harford County expenditures are not affected except to the extent that new hotel tax revenues are appropriated in the county's budget.

Program Description: Hotel rental taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3.0% to 9.5% as shown in **Exhibit 9**. Harford County is the only jurisdiction that does not impose a hotel rental tax.

State law requires, after a distribution for specified administrative costs, that hotel rental tax revenues be distributed to the county's general fund, except:

- in a code county and Calvert, Cecil, Garrett, and St. Mary's counties, the portion of the tax attributable to a hotel in a municipality must be distributed to the municipality;
- Carroll County may retain a reasonable amount of revenues for administrative expenses and the remaining balance must be used for tourism and general promotion of the county;
- Dorchester County must provide 80% of revenues attributed to hotels located in a municipality to the municipality;
- Frederick County must designate a portion of the hotel rental tax revenue to the Tourism Council of Frederick County and a portion to the county commissioners to be used for a visitor center;
- Garrett County must designate a portion of revenues for the promotion of the county;
- Howard County must distribute any revenue attributable to a hotel rental tax rate of greater than 5% as follows: (1) two-thirds to the Howard County Tourism Council and (2) one-third to the Howard County Economic Development Authority;

- Washington County must use 50% of revenues to fund the Hagerstown/Washington County Convention and Visitors Bureau; and
- Wicomico County must provide 16.7% of the revenue to the Salisbury Zoological Park, 16.7% to the Tourism Center, and the remainder must be used for the Wicomico County Convention and Visitors Bureau.

Exhibit 9
Hotel Rental Tax Revenues

County	County Tax Rates FY 2013	FY 2014	FY 2014 Budget	Per Capita Revenues	Per Capita Ranking
Allegany	8.0%	8.0%	$948,125	$13	9
Anne Arundel	7.0%	7.0%	13,670,000	25	5
Baltimore City	9.5%	9.5%	28,497,000	46	3
Baltimore	8.0%	8.0%	8,850,000	11	10
Calvert	5.0%	5.0%	810,000	9	13
Caroline	5.0%	5.0%	45,000	1	22
Carroll	5.0%	5.0%	290,720	2	21
Cecil	3.0%	3.0%	75,000	1	23
Charles	5.0%	5.0%	1,067,000	7	16
Dorchester	5.0%	5.0%	330,000	10	12
Frederick	3.0%	3.0%	1,204,000	5	19
Garrett	6.0%	6.0%	1,900,000	64	2
Harford	0.0%	0.0%	0	0	24
Howard	7.0%	7.0%	4,200,000	14	7
Kent	5.0%	5.0%	118,500	6	18
Montgomery	7.0%	7.0%	17,752,800	18	6
Prince George’s	5.0%	5.0%	5,481,200	6	17
Queen Anne’s	5.0%	5.0%	435,000	9	14
St. Mary’s	5.0%	5.0%	850,000	8	15
Somerset	5.0%	5.0%	55,000	2	20
Talbot	4.0%	4.0%	1,250,000	33	4
Washington	6.0%	6.0%	2,000,000	13	8
Wicomico	6.0%	6.0%	1,047,289	10	11
Worcester	4.5%	4.5%	11,250,000	218	1
Total			**$102,126,634**	**$17**	

Source: Fiscal 2014 county budgets; Department of Legislative Services

Recent History: Several bills have been introduced that would have authorized Harford County to impose a hotel rental tax including House Bill 1395 of 2013, House Bill 584 of 2011, and House Bill 664 of 2010.

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

Analysis prepared by: Michael D. Sanelli

Local Education Maintenance of Effort

Provision in the Bill: Requires that, for purposes of local education maintenance of effort (MOE) requirements, the calculation of local wealth must use the amount certified for net taxable income based on tax returns filed on or before September 1, for fiscal 2015 through 2017, and on or before November 1 for fiscal 2018 and each year thereafter.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Other

State Effect: None.

Local Effect: The amount that counties (including Baltimore City) may be required to increase MOE for local school systems in fiscal 2015 is reduced by specifying that September 1 net taxable income (NTI) data will continue to be used to calculate the required MOE amount until fiscal 2018. The local MOE impact in subsequent years will depend on the difference between using the September and November NTI data to calculate the required MOE amounts. Beginning July 1, 2014, counties making below-average education effort are required to increase their per-student MOE amount by up to 2.5% annually, as required by Chapter 6 of 2012. Three counties (Garrett and Kent counties and Baltimore City) would be required to increase their MOE amount in fiscal 2015 by 0.5% per student if November 1 NTI data were used to calculate local wealth.

Program Description: Counties must meet annual MOE funding requirements unless the State Board of Education grants a waiver from the required MOE amount. Chapter 6 of 2012 modified the penalty for counties that do not meet MOE. A county that does not meet MOE and does not receive a waiver is subject to the Comptroller intercepting the county's local income tax revenue by the required amount and transferring it to the school system.

Recent History: Chapter 4 of 2013 established the November 1 NTI date in State law, in addition to the September 1 date, for use in the calculation of local wealth for State education aid formulas. The NTI Adjustment grant is provided to counties that receive more State aid using the November 1 data than September 1, phased-in over five years from fiscal 2014 to 2018.

Location of Provision in the Bill: Section 2 (pp. 28-31)

Analysis prepared by: Rachel H. Hise

Legal Representation at Initial Appearances before District Court Commissioners

Provisions in the Bill: Section 17 specifies that $10.0 million restricted in the fiscal 2015 budget of the Judiciary for the purpose of providing attorneys for required representation at initial appearances before District Court commissioners consistent with the holding of the Court of Appeals in *DeWolfe v. Richmond*, 434 Md. 403 (2012) and 434 Md. 444 (2013) represents a one-time allocation and provides no authority for additional State expenditures or commitment of funds without separate statutory authority or authorization in the State budget as passed by the General Assembly. Section 17 also establishes that, in fiscal 2015, the costs for attorneys appointed to implement the holding in *DeWolfe v. Richmond* beyond the amount expressly provided for this purpose in the State budget are to be billed to and paid by the county in which the representation is provided.

Agency: Judiciary

Type of Action: Other

State Effect: Potential decrease in general fund expenditures in fiscal 2015 to the extent that the cost to compensate attorneys appointed to implement the holding in *DeWolfe v. Richmond* exceeds $10,000,000 and is covered by the counties. The *2014 Joint Chairmen's Report* expresses the intent of the General Assembly that any State funds disbursed to counties to provide attorneys for required representation at initial appearances before District Court commissioners be done so proportionately on the basis of the calendar 2013 distribution of initial appearances within each county. If the allotment for a specific county is expended before the end of the fiscal year, then any additional costs must be paid for by that county.

Local Effect: Potential significant increase in local expenditures for attorney compensation in fiscal 2015, depending on the extent to which these costs exceed $10,000,000 statewide. It is assumed that, should statewide expenditures for legal representation at initial appearances before District Court commissioners exceed $10,000,000 in fiscal 2015, the provision will have a greater fiscal impact on those jurisdictions with higher initial appearance caseloads.

Recent History: In *DeWolfe v. Richmond*, 434 Md. 403 (2012) the Maryland Court of Appeals held on January 4, 2012, that no bail determination may be made by a District Court commissioner concerning an indigent defendant without the presence of counsel, unless representation by counsel is waived ("*Richmond I"*).

The *Richmond I* opinion was based on the then-effective wording of the Maryland Public Defender Act, including language that the Office of the Public Defender (OPD) must represent an indigent defendant "in all stages" of a criminal proceeding. The court did not address the plaintiffs' federal and State constitutional claims of a right to representation. However, the Circuit Court for Baltimore City had previously held, based on the ruling of the U.S. Supreme Court in *Rothgery v. Gillespie County*, 554 U.S. 191 (2008), that indigent arrestees have a federal and State constitutional right to be appointed counsel at an initial appearance.

Richmond I sparked a heated debate during the 2012 session of the General Assembly. There was much concern about how the State would fund the obligation of OPD to begin representing people at an initial appearance phase. This debate prompted broader questions about and scrutiny of Maryland's criminal justice system, including the District Court commissioner and pretrial release systems. A number of bills were introduced to attempt to counteract or mitigate the effect of *Richmond I*. Ultimately, the General Assembly passed Chapters 504 and 505 of 2012, which were signed into law by the Governor on May 22, 2012. Among other things, these Acts amended the Public Defender Act to specify that OPD is required to provide legal representation to an indigent defendant at a bail hearing before a District Court or circuit court judge but is not required to represent an indigent criminal defendant at an initial appearance before a District Court commissioner.

After the legislative changes to the Public Defender Act, the Court of Appeals was asked to decide whether there was a federal or State constitutional right to State-furnished counsel for indigent defendants at their initial appearance before a District Court commissioner. On September 25, 2013, the Court of Appeals issued an opinion (434 Md. 444 (2013)) in the *Richmond* case holding that, under the Due Process component of Article 24 of the Maryland Declaration of Rights, an indigent defendant has a right to State-furnished counsel at an initial appearance before a District Court commissioner ("*Richmond II*"). The Court of Appeals has issued a temporary stay of implementation of the *Richmond II* decision until June 5, 2014, and granted *writ of certiorari* limited to three specific questions regarding the circuit court's actions.

Despite the introduction of several bills, none specifically addressing the *Richmond II* decision were passed during the 2014 legislative session.

Location of Provision in the Bill: Section 17 (pp. 43-44)

Analysis prepared by: Amy A. Devadas

Grants to Supplement the Film Production Activity Tax Credit Program

Provision in the Bill: Authorizes, in fiscal 2014 and 2015 only, the use of a cumulative total of $5,000,000 from the Economic Development Opportunities Program Account (Sunny Day fund) and $2,500,000 from the Special Fund for Preservation of Cultural Arts in Maryland for grants to supplement tax credits awarded under the film production activity tax credit program.

Agency: Department of Business and Economic Development (DBED)

Type of Action: Other

State Effect: The provision allows a cumulative total of $7.5 million in special funds, in fiscal 2014 and 2015 only, to be transferred to DBED to supplement tax credits provided under the film production activity tax credit program. It is assumed that, without the transfer, these special funds would have been used to provide financial assistance to qualifying businesses and supplemental grants to qualifying cultural arts organizations, respectively. Using these funds to supplement tax credits reduces the funds available for these purposes.

Although the Sunny Day Fund is expected to have a balance of uncommitted funds of $8.5 million at the end of fiscal 2014, this is largely due to a cancelled $7.5 million encumbrance from fiscal 2013. The fund has $5.5 million in scheduled installments to be paid for an incentive to the Bechtel Group, including $1.1 million in both fiscal 2014 and 2015. The last installment is scheduled for fiscal 2019. While the $5.0 million earmarked for supplemental grants is not needed in fiscal 2015, if fund revenues are insufficient to pay financial commitments in future years, a general fund appropriation could be necessary.

Program Description: A qualified film production entity that meets specified requirements and is approved by DBED may receive a tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed $500,000. A total of $7.5 million in tax credits is available to qualifying film production entities in the fiscal 2015 State budget.

The Sunny Day fund provides conditional loans and investments to take advantage of extraordinary economic development opportunities, defined in part as those situations which create or retain substantial numbers of jobs and where considerable private investment is leveraged. Business assistance may take the form of investments, conditional loans, conditional grants, and tax credits.

The Special Fund for Preservation of Cultural Arts in Maryland is a special, nonlapsing fund that consists of State admissions and amusement tax revenue from electronic bingo and tip jar machine proceeds and any other money accepted for the benefit of the fund. The fund is used to provide supplemental grants to cultural arts organizations in the State that qualify for general operating support grants from the Maryland State Arts Council. These grants may not supplant other funding that the organization qualifies to receive. Annual revenues to the special fund are approximately $1.9 million.

Recent History: Chapter 661 of 2009 established the Special Fund for Preservation of Cultural Arts in Maryland. Budget reconciliation legislation in 2010 through 2012 altered the distribution of revenue to the special fund to provide greater support for the general fund. The Budget Reconciliation and Financing Act of 2013 (Chapter 425) required the balance of the special fund to be transferred to the general fund by June 30, 2013.

Location of Provision in the Bill: Section 13 (p. 42)

Analysis prepared by: Robert J. Rehrmann

Annual Interest Rate for Specified Income Tax Refunds

Provision in the Bill: Alters the annual interest rate paid for income tax refunds resulting from the final decision under *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013). The Comptroller's Office must use an annual interest rate equal to the average prime rate of interest during fiscal 2015, based on a determination by the Board of Governors of the Federal Reserve Bank. The provision applies to applicable tax refunds for tax years 2006 through 2014.

Agency: Office of the Comptroller

Type of Action: Other

State Effect: None.

Local Effect: Based on forecasted interest rates, the estimated amount of protective claims filed, and potential refund amounts, the Comptroller's Office estimates that the provision will reduce the potential amount of applicable interest paid by a total of $38.4 million beginning in fiscal 2015, thereby potentially preventing a corresponding loss in local income tax revenues as discussed in more detail below.

Program Description: By October 1 of each year, the Comptroller must set the annual interest rate for tax refunds and monies owed to the State for the next calendar year at a rate equal to the greater of 13%, or three percentage points, above the average prime rate of interest in the previous fiscal year, based on information from the Federal Reserve Bank.

Recent History: In *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, the Maryland Court of Appeals upheld a ruling of the Howard County Circuit Court that the failure of the State to allow a credit with respect to the county income tax for out-of-state income taxes paid to other states on "pass-through" income earned in those states discriminates against interstate commerce and violates the Commerce Clause of the U.S. Constitution. This ruling was appealed to the United States Supreme Court, which has agreed to hear the case. The Comptroller's Office advises that in the event that the Supreme Court rules against the State, it is currently estimated that local governments may owe $51.0 million in interest attributable to "protective claims." Protective claims are returns filed by taxpayers, within the statute of limitations for that tax year, where the taxpayer believes that the State has made an error in the application of taxation. Under current law, the Comptroller owes interest on those refunds going back to the date of filing. However, interest would not be due for the taxpayers that filed an amended return and did not file a protective claim.

Location of Provision in the Bill: Section 16 (p. 43) and Section 20 (p. 44)

Analysis prepared by: Robert J. Rehrmann

Special Fund for Preservation of Cultural Arts in Maryland

Provisions in the Bill: Authorizes the transfer of a total of $1,250,000 in fiscal 2015 from the Special Fund for Preservation of Cultural Arts in Maryland to provide the following grants: (1) $100,000 to the Arena Players, Inc.; (2) $150,000 to the Great Blacks in Wax Museum, Inc.; (3) $200,000 to the Prince George's African-American Museum and Cultural Center at North Brentwood, Inc.; and (4) $800,000 to the Maryland School for the Blind.

Agency: Department of Business and Economic Development

Type of Action: Other

State Effect: None. The provisions allow $1.25 million in special funds to be used for grants to specified organizations in fiscal 2015. It is assumed that, without the transfer, these special funds would have been used to provide supplemental grants to qualifying cultural arts organizations. Using these funds for the specified grants reduces the funds available to qualifying cultural arts organizations. Future years are not affected. Annual revenues to the special fund are approximately $1.9 million.

Program Description: The Special Fund for Preservation of Cultural Arts in Maryland is a special, nonlapsing fund in the Department of Business and Economic Development that consists of State admissions and amusement tax revenue from electronic bingo and tip jar machine proceeds and any other money accepted for the benefit of the fund. The fund is used to provide supplemental grants to cultural arts organizations in the State that qualify for general operating support grants from the Maryland State Arts Council. These grants may not supplant other funding that the organization qualifies to receive. Due to the diversion of funds for cost containment and other budgetary purposes, the special fund has never been used for its intended purposes.

Recent History: Chapter 661 of 2009 established the special fund. Budget reconciliation legislation in 2010 through 2012 altered the distribution of revenue to the special fund to provide greater support for the general fund. The Budget Reconciliation and Financing Act of 2013 (Chapter 425) required the balance of the special fund to be transferred to the general fund by June 30, 2013.

Location of Provision in the Bill: Section 12 (p. 42)

Analysis prepared by: Heather N. Ruby

Maryland Department of the Environment Memorandum of Understanding with Carroll and Frederick Counties

Provisions in the Bill: Authorize the Maryland Department of the Environment (MDE) to enter into a memorandum of understanding (MOU) with Carroll County or Frederick County to establish an alternative source of funding to be deposited into a local watershed protection and restoration fund, including an amount or percent of funds passed by local ordinance for the purpose of meeting their National Pollutant Discharge Elimination System Phase I Municipal Separate Storm Sewer System (MS4) permits. Carroll County or Frederick County must enter into the MOU with MDE by December 1, 2014.

Agency: Maryland Department of the Environment

Type of Action: Other

State Effect: None.

Local Effect: To the extent that Carroll County or Frederick County allocates a portion of its existing local property tax revenue to a local watershed protection and restoration fund, the only local effect is the shifting of resources away from other purposes previously paid for with local property tax revenue. However, if Carroll County or Frederick County increases property tax rates to pay for additional stormwater remediation costs not currently supported by existing revenues, then revenues and expenditures may increase by as much as $2.6 million for Carroll County and $17.7 million for Frederick County in fiscal 2015, which is based on projections made by the counties in 2013 regarding the additional resources needed to fully fund MS4 requirements in fiscal 2015.

To the extent that Frederick County repeals its current nominal fee of $0.01 per property as a result of the bill, Frederick County revenues decrease negligibly.

Program Description: Chapter 151 of 2012 requires a county or municipal corporation that is subject to a National Pollutant Discharge Elimination System Phase I MS4 permit to adopt and implement, by July 1, 2013, local laws or ordinances that establish an annual stormwater remediation fee and a local watershed protection and restoration fund.

Fee revenues from each jurisdiction must be deposited into its local watershed protection and restoration fund and may not revert or be transferred to a local general fund. Each fund must also consist of interest or other investment income and any other money made available to the fund.

Money in each fund is intended to be used only to support additional (not existing or ongoing) efforts for (1) capital improvements for stormwater management, including stream and wetland restoration projects; (2) operation and maintenance of stormwater management systems and facilities; (3) public education and outreach relating to stormwater management or stream and wetland restoration; (4) stormwater management planning, including mapping and assessment of impervious surfaces; (5) stormwater management monitoring, inspection, and enforcement activities to carry out the purposes of the watershed protection and restoration fund; (6) review of stormwater management plans and permit applications for new development, only if fees to support these activities associated with new development are also deposited into the new watershed protection and restoration fund; (7) grants to nonprofit organizations for specified watershed restoration and rehabilitation projects; and (8) reasonable administrative costs.

Recent History: Chapter 151 of 2012 requires the 10 Phase I MS4 permit jurisdictions to establish a local stormwater remediation fee to assist in financing the implementation of the local Phase I MS4 permits. Eight of the 10 jurisdictions have enacted appreciable fees that will help them to meet their MS4 permit goals for stormwater remediation. Frederick County enacted a *de minimus* fee ($0.01 per parcel) and Carroll County did not enact a fee.

Between December 2013 and February 2014, MDE met with Carroll County concerning an alternative compliance process. An agreement was reached at the end of February 2014, as reflected in letters between Carroll County and MDE. Carroll County proposed to carve out $0.05, to be adjusted annually based on funding need, from its existing real property tax rate of $1.018 per $100 of assessed value to be used to satisfy the requirement of Chapter 151 of 2012 and to be appropriated to the county's Watershed Protection and Restoration Fund. An Assistant Attorney General at MDE responded that MDE and the Office of the Attorney General had reviewed the proposal and believe that the proposed fee complies with § 4-202.1(e)(3)(ii)(3) of the Environment Article. MDE stated that no further information was provided by Carroll County about its stormwater program, and therefore, MDE did not take any position regarding compliance with any other provision of § 4-202.1.

Location of Provisions in the Bill: Section 18 (p. 44)

Analysis prepared by: Andrew D. Gray

Local Community College Maintenance of Effort

Provision in the Bill: Requires a county (or counties) to meet the maintenance of effort (MOE) requirement in order for a local community college to receive a State hold harmless grant if a college is receiving less State aid through the Cade formula than the prior fiscal year.

Agency: Maryland Higher Education Commission

Type of Action: Other

State Effect: Potential minimal decrease in general fund expenditures if fewer colleges qualify for a hold harmless grant due to the bill's MOE requirement.

Local Effect: Potential minimal decrease in local community college revenues from State aid.

Program Description: The 15 locally operated community colleges receive most of their State aid from the Senator John A. Cade Funding Formula, which includes a hold harmless component if the sum of a college's fixed costs, marginal costs, and size factor components of the Cade formula are less than the prior fiscal year. Under current law, a county (or all of the counties supporting a community college) must appropriate at least the same amount of total local operating funds to the community college as the prior fiscal year in order for the college to receive an *increase* in State aid from the Cade formula.

Location of Provision(s) in the Bill: Section 1 (p. 14)

Analysis prepared by: Rachel H. Hise

Joint Committees Relating to Information Technology

Provisions in the Bill: Rename and alter the required duties of two statutory joint committees. The Joint Information Technology and Biotechnology Committee is renamed the Joint Committee on Cybersecurity, Information Technology and Biotechnology, while the Joint Committee on Transparency and Open Government is renamed the Joint Committee on Legislative Information Technology and Open Government. It is the intent of the General Assembly that any other provision of law enacted in 2014 that relates to the former names of the joint committees or the Joint Advisory Committee on Legislative Data Systems applies to the joint committees as renamed by this bill.

Agency: Department of Legislative Services

Type of Action: Other

State Effect: Any additional workload can be handled within existing budgeted resources.

Program Description: Chapter 140 of 2009 renamed and codified the former Joint Technology Oversight Committee to be the Joint Information Technology and Biotechnology Committee and increased the membership from 10 to 12, with the addition of one Senator and one Delegate. The duties of the joint committee were also expanded to promote information technology and biotechnology among the public and private sectors and serve as a liaison with the Executive Branch on related issues.

Chapter 509 of 2011 established the Joint Committee on Transparency and Open Government within the General Assembly to provide continuing legislative oversight regarding transparency and open government and recommend initiatives that increase citizen access to government resources, publications, and actions.

The Department of Legislative Services staffs both joint committees.

Location of Provision in the Bill: Sections 1 and 15 (pp. 19-22 and 43-44)

Analysis prepared by: Richard L. Duncan

Repeal of Joint Committees and Code Revision Completion

Provisions in the Bill: Repeal the Joint Committee on Health Care Delivery and Financing, the Joint Committee on Welfare Reform, and the Joint Committee on Access to Mental Health Services. The statutory requirement that the Office of Policy Analysis (OPA) must carry on continuous, full-time formal revision of statutory law for the General Assembly (*i.e.*, code revision) is altered to instead require the completion of the formal revision of statutory law.

Agency: Department of Legislative Services

Type of Action: Other

State Effect: Minimal reduction in general fund expenditures resulting from reimbursement of members of the joint committees and preparation of annual reports. Revenues are not affected.

Program Description: The Joint Committee on Health Care Delivery and Financing, established by Chapter 395 of 1992, comprises 14 members of the General Assembly (7 Senators and 7 Delegates) and is required to provide oversight of and study issues relating to health care delivery and financing, as well as provide an annual report.

The Joint Committee on Welfare Reform, established by Chapter 351 of 1996, comprises 10 members of the General Assembly (5 Senators and 5 Delegates) and is required to provide oversight of and study issues relating to the Family Investment Program and related benefits and services, as well as provide an annual report. The Secretary of Human Resources is also required to provide the joint committee with an annual report.

The Joint Committee on Access to Mental Health Services, established by Chapter 318 of 2005, comprises 10 members of the General Assembly (5 Senators and 5 Delegates) and is required to monitor access to public mental health services for eligible individuals and medically necessary mental health services for individuals covered by private insurance and provide an annual report.

All three joint committees are staffed by the Department of Legislative Services.

The legal staff of OPA prepares drafts of proposed revised articles of the Annotated Code of Maryland, which are reviewed by article review committees. When the drafting and review of a revised article is completed, a bill to enact the article into law is introduced in the General Assembly. The process is overseen by the Code Revision Committee, which is appointed by the Legislative Policy Committee and which plans the sequence of revised articles, appoints article review committees, and generally supervises the progress of each article. An article review committee is currently working on the revision of the law relating to alcoholic beverages, which is the last article left to be revised in the code revision process.

Recent History: Chapter 16 of 2014 (SB 84) changed the name of the Joint Committee on Access to Mental Health Services to the Joint Committee on Access to Behavioral Health Services and made other conforming changes, effective October 1, 2014.

Location of Provision in the Bill: Sections 1 and 4 (pp. 17, 23, and 36)

Analysis prepared by: Jennifer B. Chasse

Appendix B

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GENERAL FUND REVENUES						
Transfer Tax Special Fund	0	69,126,544	0	0	0	0
University System of Maryland Fund Balance Transfer	31,000,000	0	0	0	0	0
Sustainable Communities Tax Credit Reserve Fund	19,096,632	0	0	0	0	0
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	10,400,000	6,200,000	0	0	0	0
Sale of Dauphin Helicopters	0	17,600,000	0	0	0	0
Morgan State University Fund Balance Transfer	2,000,000	0	0	0	0	0
Maryland Correctional Enterprises Revolving Fund	1,800,000	1,000,000	0	0	0	0
Senior Prescription Drug Assistance Program	1,000,000	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
Lottery Agent Commissions	16,667	7,545,833	9,103,150	9,192,182	9,282,103	9,372,924
TOTAL GENERAL FUND REVENUES	**66,263,299**	**101,472,377**	**9,103,150**	**9,192,182**	**9,282,103**	**9,372,924**
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	(303,550)	(143,724)	(152,347)	(161,488)	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	***(303,550)***	***(6,090,476)***	***(23,933,597)***	***(25,543,064)***	***(27,365,762)***	***(28,486,423)***
Mandate Relief						
Reduction in Pension Reinvestment Payments	(174,200,000)	(176,515,776)	(127,091,359)	(75,901,784)	(22,064,472)	29,125,103
Maryland Agricultural and Resource-Based Industry Development Corporation	0	(1,125,000)	0	0	0	0
Subtotal – Mandate Relief	***(174,200,000)***	***(177,640,776)***	***(127,091,359)***	***(75,901,784)***	***(22,064,472)***	***29,125,103***

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Other						
Sale of Dauphin Helicopters	0	0	17,600,000	0	0	0
Reduction of Maryland Health Insurance Plan Assessment	0	(6,073,799)	(8,231,967)	(8,367,739)	(8,505,750)	(8,646,038)
Senator John A. Cade Funding Formula for Local Community College Aid	0	0	12,041,123	19,232,294	13,414,566	14,122,366
Joseph A. Sellinger Program for Independent Colleges and Universities	0	0	3,047,728	5,822,637	6,632,063	(2,890,440)
Health Services Cost Review Commission – Maryland All-payer Contract	0	1,350,000	0	0	0	0
Maryland Park Service – Forest or Park Reserve Fund Revenues	0	0	1,271,360	3,956,403	6,641,446	6,641,446
State Department of Assessments and Taxation Workgroup	0	25,000	0	0	0	0
Subtotal – Other	***0***	***(4,698,799)***	***25,728,244***	***20,643,595***	***18,182,325***	***9,227,334***
TOTAL GENERAL FUND EXPENDITURES	**(174,503,550)**	**(188,430,051)**	**(125,296,712)**	**(80,801,253)**	**(31,247,909)**	**9,866,014**
SPECIAL FUND REVENUES						
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	(8,000,000)	(6,200,000)	0	0	0	0
Reduction of Maryland Health Insurance Plan Assessment	0	(67,486,650)	(91,466,300)	(92,974,877)	(94,508,336)	(96,067,081)
Sale of Dauphin Helicopters	0	(17,600,000)	0	0	0	0
Certificate of Title Fee for Rental Vehicles	0	(4,200,000)	(4,200,000)	0	0	0
TOTAL SPECIAL FUND REVENUES	**(8,000,000)**	**(95,486,650)**	**(95,666,300)**	**(92,974,877)**	**(94,508,336)**	**(96,067,081)**
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	(6,200,000)	0	0	0	0
Reduction in Pension Reinvestment Payments	(12,295,546)	(12,459,356)	(8,970,736)	(5,357,523)	(1,557,420)	2,055,794
State Department of Assessments and Taxation Special Administrative Fund	303,550	143,724	152,347	161,488	0	0
TOTAL SPECIAL FUND EXPENDITURES	**(11,991,996)**	**(87,642,176)**	**(8,818,389)**	**(5,196,035)**	**(1,557,420)**	**2,055,794**

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
FEDERAL FUND REVENUES						
Reduction of Maryland Health Insurance Plan Assessment	0	(6,073,799)	(8,231,967)	(8,367,739)	(8,505,750)	(8,646,038)
Health Services Cost Review Commission – Maryland All-payer Contract	0	1,350,000	0	0	0	0
TOTAL FEDERAL FUND REVENUES	**0**	**(4,723,799)**	**(8,231,967)**	**(8,367,739)**	**(8,505,750)**	**(8,646,038)**
FEDERAL FUND EXPENDITURES						
Reduction in Pension Reinvestment Payments	(8,770,214)	(8,258,002)	(5,945,761)	(3,550,941)	(1,032,250)	1,362,570
Reduction of Maryland Health Insurance Plan Assessment	0	(6,073,799)	(8,231,967)	(8,367,739)	(8,505,750)	(8,646,038)
Health Services Cost Review Commission – Maryland All-payer Contract	0	1,350,000	0	0	0	0
TOTAL FEDERAL FUND EXPENDITURES	**(8,770,214)**	**(12,981,801)**	**(14,177,728)**	**(11,918,680)**	**(9,538,000)**	**(7,283,468)**
NONBUDGETED EXPENDITURES						
Reduction in Pension Reinvestment Payments	0	(2,766,866)	(1,992,144)	(1,189,752)	(345,858)	456,533
TOTAL NONBUDGETED EXPENDITURES	**0**	**(2,766,866)**	**(1,992,144)**	**(1,189,752)**	**(345,858)**	**456,533**

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.