Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Revised

House Bill 72 (The Speaker)(By Request - Administration)

Appropriations Budget and Taxation

Budget Reconciliation and Financing Act of 2015

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

The bill generally takes effect June 1, 2015.

Fiscal Summary

State Effect: General fund revenues increase by $153.3 million in FY 2015, primarily due to transfers, while special fund revenues decline by $0.8 million from redirection of revenues. General fund revenues increase by $46.5 million in FY 2016 due to diversion of transfer tax revenues to the general fund and other revenue enhancements, while special fund revenues decline by $35.4 million, mainly due to a reduction in hospital assessments. General fund expenditures decline by $50.7 million in FY 2015, due primarily to authorizing the use of special funds for Medicaid expenditures. In FY 2016, general fund expenditures decline by $283.9 million due to mandate relief, fund swaps, cost control, and other actions. Special fund expenditures increase by $53.3 million in FY 2015, due to fund swaps and mandate relief, and by $17.5 million in FY 2016, primarily from cost control, fund swaps, and cost shifts. Federal, bond, and higher education funds are also affected. Future year estimates reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

($ in millions)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	$153.3	$46.5	($6.0)	($6.1)	($6.0)
SF Revenue	($.8)	($35.4)	$0	$0	$0
FF Revenue	$10.0	($35.5)	($20.8)	($20.8)	($20.8)
GF Expenditure	($50.7)	($283.9)	($249.1)	($297.0)	($331.2)
SF Expenditure	$53.3	$17.5	$9.2	($27.7)	($32.0)
FF Expenditure	$0	($40.3)	($39.9)	($44.4)	($48.7)
Higher Ed Exp.	$0	($43.7)	($43.7)	($43.7)	($43.7)
Bond Exp.	$0	($65.0)	$0	$0	$0
Net Effect	$159.9	$391.1	$296.6	$385.9	$428.8

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

Local Effect: Direct State aid for public schools is reduced by $25.3 million in FY 2016. Direct State aid for local community colleges decreases by $9.0 million in FY 2016. Direct State aid for local libraries decreases by $2.3 million in FY 2016, including $526,083 for regional resource centers. In FY 2015, $8.2 million is transferred from the Program Open Space (POS) Local unencumbered balance, reducing the availability of grants, while $12.9 million in revenues from POS Local programs is transferred to the general fund in FY 2016. Local revenues from payments in lieu of taxes made by the Department of Natural Resources (DNR) from non-timber and concession operations park earnings decrease by $1.7 million in FY 2015. Local government grants for police aid are reduced by a total of $3.7 million in FY 2016. Local income tax revenues decrease or local expenditures increase in FY 2016 for certain counties relating to the Wynne case as discussed in **Appendix A**. Potential significant increase in local expenditures for attorney compensation in FY 2016 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. Expenditures by the Baltimore City Public Schools (BCPS) are reduced by $20.0 million for the Baltimore City Public School Construction Financing Fund in FY 2016 only. **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, beginning on page 89). 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

- Requires the Comptroller to distribute $100.0 million from the Local Income Tax Reserve Account to the general fund in fiscal 2015 and repay this distribution at an amount of $10.0 million in fiscal 2017 through 2025.
- Limits eligibility for the State refundable earned income tax credit to State residents only beginning with tax year 2015.
- Requires that any loan repayment to the Sunny Day Fund in fiscal 2015 and 2016 be deposited in the general fund.
- Requires each managed care organization that the Department of Health and Mental Hygiene (DHMH) estimates to have an insufficient loss ratio for calendar 2014 to reimburse DHMH for the amount of the estimated insufficient loss ratio.
- Transfers $1.38 million from the Bay Restoration Fund to the general fund in fiscal 2015.
- Redirects $8.6 million of short-term vehicle rental revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2016.

- Transfers $6.0 million from the Strategic Energy Investment Fund to the general fund in fiscal 2015 and authorizes the fund to be used for specific grants.
- Transfers $5.9 million from the special funds of three health occupations boards to the general fund in fiscal 2015.
- Transfers $4.0 million from the self-insured reserve account held by the State to pay unemployment compensation benefits for State employees to the general fund in fiscal 2015 and 2016.
- Transfers $4.0 million from the fund balance of Baltimore City Community College to the general fund in fiscal 2015.
- Transfers $3.0 million from the Jane E. Lawton Conservation Fund to the general fund in fiscal 2015.
- Transfers $3.0 million from the Mortgage Lender-Originator Fund to the general fund in fiscal 2015.
- Transfers $1.7 million from the Health Personnel Shortage Incentive Grant program to the general fund in fiscal 2015.
- Transfers $500,000 from the Spinal Cord Injury Research Trust Fund to the general fund in fiscal 2015 and 2016.
- Repeals the State Police Helicopter Replacement Fund (SPHRF) and transfers the remaining balance to the general fund in fiscal 2015; specifies that revenue from certain moving violation citations that would otherwise accrue to SPHRF be credited to the general fund.
- Transfers $10.5 million from the POS balance to the general fund in fiscal 2015.
- Increases by $37.7 million the revenue from the transfer tax that is diverted to the general fund in fiscal 2016.
- Transfers $58,000 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2015.

Mandate Relief

- Repeals the corridor funding method for fiscal 2017 and maintains a supplemental contribution of $75.0 million for the State Retirement and Pension System (SRPS) until the system reaches an actuarial funding level of 85%, requires an amount equal to one-half of the unappropriated general fund surplus in excess of $10.0 million from the second prior fiscal year (up to a maximum of $50.0 million annually) to be paid to the SRPS pension trust fund for fiscal 2017 through 2020, and requires the Department of Legislative Services to review the amounts to be appropriated to the accumulation funds of SRPS.
- Delays by one year the phase-in of net taxable income (NTI) adjustment grants, altering the phase-in percentage from 60% to 40% in fiscal 2016, 80% to 60% in fiscal 2017, and 100% to 80% in fiscal 2018.
- Reduces the fiscal 2016 appropriation for the Senator John A. Cade formula for local community colleges.

- Reduces the fiscal 2016 appropriation for the Joseph A. Sellinger formula for qualifying independent colleges and universities.
- Extends the phase-in of increases in the per capita funding for county public libraries participating in the State's minimum library program from a 4-year to a 10-year phase-in beginning in fiscal 2016.
- Extends the phase-in of an increase in the per capita funding for each library regional resource center from a 4-year to a 10-year phase-in beginning in fiscal 2016.
- Extends the phase-in of an increase in the per capita funding for the State Library Resource Center from three years to nine years beginning in fiscal 2017.
- Reduces mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation to $2.9 million in fiscal 2016 through 2021 and extends mandated funding at this amount for three additional years (through fiscal 2024).
- Delays, until fiscal 2019, the requirement that transfer tax funds diverted to the general fund be repaid by unappropriated general fund balance in excess of $10.0 million.
- Specifies that fiscal 2015 transfer tax underattainment will not be deducted from POS and related programs in fiscal 2017.
- Prohibits DNR from making revenue sharing payments to counties from non-timber or concession operations park earnings in fiscal 2015.
- Reduces the total amount of grants provided under the State Aid for Police Protection formula to $67,277,067 (the fiscal 2014 level) in fiscal 2015 and 2016.
- Reduces the mandated appropriation to the Maryland Cybersecurity Investment Tax Credit Reserve Fund by $500,000 in fiscal 2016.

Fund Swaps and Cost Shifts

- Authorizes DHMH to use up to $55.0 million in finds from the Maryland Health Insurance Plan (MHIP) Fund for Medicaid provider reimbursements in fiscal 2015, authorizes additional funds to be used in fiscal 2016 through 2019 to support integrated care networks for dual-eligible (Medicaid and Medicare) patients, and prohibits imposition of an assessment on hospital rates for the operation and administration of MHIP in fiscal 2016 only.
- Delays to fiscal 2017 the requirement that the Governor reduce the budgeted Medicaid Deficit Assessment and requires the Governor, beginning in fiscal 2017, to annually reduce the assessment by $25.0 million over the prior year assessment.
- Authorizes the Department of Housing and Community Development to use up to $2.4 million in funds from the Housing Counseling and Foreclosure Mediation Fund for administrative expenses in fiscal 2016.
- Authorizes the Transportation Trust Fund (TTF) to be used to fund the Watershed Implementation Plan in fiscal 2016 only.

- Transfers $2.2 million from the Waterway Improvement Fund (WIF) to the general fund in fiscal 2015; authorizes DNR to use up to $1.6 million in WIF funds for administrative expenses for fiscal 2016 only; and authorizes WIF funds to be used for dredging ponds, lakes, and reservoirs owned by the State.

Cost Control, Administrative, and Other Measures

- Prohibits merit increases for State employees in fiscal 2016, with specified exceptions; prohibits any State pay plan other than the Executive Pay Plan from being amended to provide a rate of compensation lower than the rate provided on January 1, 2015; specifies that any salary or hours lost by a State employee in fiscal 2016 as a result of a mandatory furlough or temporary salary reduction taken on or after July 1, 2015, that reduces the employee's compensation below the rate in effect on January 1, 2015, must be included in the calculation of earnable compensation and service credits for the purpose of determining retirement benefits and member contributions; and requires specified reporting regarding the designation of operationally critical staff and any merit increases awarded to such staff.
- Requires the Health Services Cost Review Commission, from the recognition of additional hospital inpatient and outpatient savings due to a decrease in uncompensated care, to adopt policies that generate general fund Medicaid savings of at least $16.7 million in fiscal 2016.
- Limits eligibility in fiscal 2016 for the Quality Teacher Incentive program and repeals stipends for teachers who only hold an Advanced Professional Certificate beginning in fiscal 2017.
- In fiscal 2016, prohibits an increase in rates paid to providers of nonpublic special education placements over the rates in effect on July 1, 2014.
- In fiscal 2016, prohibits an increase in rates paid to residential child care providers that have their rates set by the Interagency Rates Committee over the rates in effect on July 1, 2014.
- Requires local school systems to report to the State and county governing body if the system has a general fund deficit of any amount at the end of the fiscal year or a structural deficit that requires a transfer of reserve funds to the general fund.
- Repeals, for fiscal 2016 only, the requirement that BCPS contribute funds to the Baltimore City Public School Construction Financing Fund and prohibits the Comptroller from withholding an amount from any installment due to BCPS from the general fund.
- Reduces fiscal 2015 unexpended appropriations by $3.7 million (including $2.8 million for the Autism Waiver and $0.9 million for Out-of-County Placements) for the Maryland State Department of Education and requires the funds to revert to the general fund.
- Specifies that, in implementing the holding of the Court of Appeals in *DeWolfe v. Richmond*, in fiscal 2016, the costs of compensating attorneys to provide legal

representation at initial appearances before a District Court Commissioner plus the associated costs to administer the program that is beyond the amount restricted for that purpose in the State budget must be billed to the county in which the representation is provided; authorization of State funds in fiscal 2016 for this purpose represents a one-time allocation.

- Requires that any money received by the State as a result of conditions of an approved merger between Exelon Corporation and Pepco Holdings, Inc. be expended only as specifically authorized in the State budget bill as enacted and not subject to transfer by budget amendment.
- Requires the Attorney General to review the decision of the U.S. Supreme Court in the appeal of *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013) and advise whether the decision invalidates the practice of allowing, for State tax on income paid to another state, a credit only against the State income tax and whether the decision requires the payment of income tax refunds and interest attributable to tax years 2006 through 2014; if the Attorney General finds that the decision invalidates the practice, a credit against the county income tax for out-of-state income taxes paid to another state is established beginning with tax year 2015.
- Requires the Comptroller, under specified circumstances, to pay certain interest and refunds and, if a local government does not reimburse the account in a timely manner, withhold the affected local government's quarterly income tax distributions in specified installments.
- Authorizes DHMH to renew controlled dangerous substances registrations on a triennial rather than a biennial basis.
- Authorizes, in fiscal 2015 and 2016 only, funds from the Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund to be used to pay costs associated with the purposes of the Oil Contaminated Site Environmental Cleanup Fund.
- Alters the accountability provisions related to developmental disabilities community providers and direct employee wages so that the provisions apply only in a fiscal year in which providers receive a specified rate increase in fiscal 2016 through 2019; requires providers to spend at least the same percentage of specified expenses on direct employee wages and benefits as in specified years.
- Prohibits the Maryland Transportation Authority (MDTA), in fiscal 2016 through 2020, from spending less than $275 million per year for operating expenses, exclusive of debt service payments, or less than $275.0 million per year for capital expenses; requires MDTA to maintain at least $350.0 million per year in unrestricted cash balances and a minimum annual debt service coverage level of 250% of debt service; prohibits MDTA from supplementing revenues credited to the Transportation Authority Fund with any funds from TTF; and reduces the maximum amount of MDTA outstanding debt in fiscal 2015 through 2020 from $3.0 billion to $2.325 billion.

- Requires the Governor to provide the General Assembly with a detailed analysis of the effect of specified proposals on TTF and the funding of projects specified in the *Consolidated Transportation Program*.
- Authorizes, rather than requires, the Maryland Aviation Administration Fire Rescue Service to charge an ambulance transport fee.
- Expands the requirements of an all-electronic tolling study required to be completed by MDTA.
- Authorizes the transfer of $2.0 million from the Special Fund for Preservation of Cultural Arts in Maryland in fiscal 2016 to provide specified grants.
- Authorizes the Governor, in fiscal 2017 and 2018, to transfer funds from the Revenue Stabilization Account (Rainy Day Fund) to the general fund only if the transfer is authorized by an act of the General Assembly *other than* the State budget bill.

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: In December 2014, the Board of Revenue Estimates (BRE) lowered its general fund estimate for fiscal 2015 by $123.2 million. BRE also lowered the fiscal 2016 revenue estimate by $147.9 million. Taking into consideration these revised revenue projections and July 2014 Board of Public Works actions (which included reductions and targeted reversions totaling $79.4 million), the Spending Affordability Committee (SAC) projected an ending general fund deficit of $414.0 million at the close of fiscal 2015. SAC noted that the Administration will need to take additional action to reduce spending or identify additional revenues to balance fiscal 2015.

The baseline projection for fiscal 2016 reflects 6.2% growth in State spending and results in an estimated structural deficit of $700.0 million, which is estimated to increase to nearly $1.5 billion in fiscal 2020. In recognition of this outlook and the continued decline in revenue estimates put forth by BRE, SAC recommended that the fiscal 2016 budget should reduce the gap between the estimated ongoing general fund revenues and ongoing spending by at least 50%. SAC also recommended that the Rainy Day Fund balance be maintained at or above 5% of estimated revenue to protect State services due to the budgetary and economic uncertainty.

State Fiscal Effect: Estimates of the fiscal 2015 and 2016 impact of the bill on the State's general fund are shown in **Exhibit 1**.

In fiscal 2015, general fund revenues increase by $153.3 million. General fund expenditures decline in fiscal 2015 by $50.7 million. In total, the State's general fund position improves by $204.0 million in fiscal 2015.

In fiscal 2016, the State's general fund position improves by $330.4 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 $534.4 million.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 11). The fiscal 2015 through 2020 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 2016 budget are included with the discussions. **Appendix B** (beginning on page 83) identifies the fiscal impact of separate provisions by fund type.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2015
Fiscal 2015 and 2016
($ in Millions)

	FY 2015	**FY 2016**
Revenues		
Transfers	$142.5	$42.2
Revenue Enhancement	10.8	4.3
Revenue Subtotal	*153.3*	*46.5*
Expenditures		
Mandate Relief	$0.0	($146.7)
Fund Swaps and Cost Shifts	(47.0)	(21.0)
Cost Control and Administrative Measures	(3.7)	(116.2)
Expenditure Subtotal	*(50.7)*	*(283.9)*
General Fund Improvement	**$204.0**	**$330.4**

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

Local Fiscal Effect: Multiple provisions in the bill reduce local revenues and State aid to counties as discussed below. The fiscal 2016 impact by county for most provisions is shown in **Appendix C** on page 88.

Education and Library Aid: Direct State aid for public schools is reduced by a total of $25.3 million in fiscal 2016, as a result of delaying the phase-in of NTI adjustment grants and limiting eligibility for Quality Teacher Incentives.

Direct State aid for local community colleges decreases by more than $9.0 million in fiscal 2016 due to a reduction in the Senator John A. Cade formula. Local revenues from State library aid for the three regional resource centers decrease by an estimated $526,083 in fiscal 2016, due to the extended phase-in of the increase in per capita aid amounts. Direct State aid for local libraries decreases by $1.8 million in fiscal 2016.

Program Open Space and Maryland Park Service: In fiscal 2015, $8.2 million is transferred from the POS Local unencumbered balance; however, these funds are replaced with general obligation bonds in the fiscal 2016 capital budget. The impact of this provision on the counties is shown in **Exhibit 4** on page 46. In addition, $12.9 million in revenues from POS Local programs is transferred to the general fund in fiscal 2016. Local revenues from payments in lieu of taxes made by DNR from non-timber and concession operations park earnings decrease by an estimated $1.7 million in fiscal 2015.

Other Local Aid: Local government grants for police aid are reduced by $3.7 million in fiscal 2016.

Potential significant increase in local expenditures for attorney compensation in fiscal 2016 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.

Expenditures by BCPS are reduced by $20.0 million for the Baltimore City Public School Construction Financing Fund in fiscal 2016 only.

Wynne Case: Local government tax revenues decrease by an estimated $43.0 million annually beginning in fiscal 2016, in addition to an estimated $201.6 million in potential refunds and interest for prior tax years dating back to tax year 2006 due to the decision of the U.S. Supreme Court in the appeal of *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013). The largest annual impact will be in Montgomery County at $24.2 million annually, followed by Baltimore County.

Additional Information

Prior Introductions: None.

Cross File: SB 57 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): *Spending Affordability Committee Report and Recommendations to the Governor and the Legislative Policy Committee*, December 2014; Maryland Department of Agriculture; Baltimore City Community College; Department of Business and Economic Development; Department of Budget and Management; Department of Human Resources; Department of Natural Resources; Maryland State Department of Education; Department of Housing and Community Development; Maryland Higher Education Commission; Maryland Insurance Administration; Independent College and

University Association; Comptroller's Office; Department of Juvenile Services; Maryland State Lottery and Gaming Control Agency; Department of Labor, Licensing, and Regulation; Maryland Association of Counties; Maryland Municipal League; Montgomery County; Department of State Police; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History:	First Reader - March 2, 2015
md/rhh	Revised - House Third Reader/Updated Budget Information - March 24, 2015
	Revised - Enrolled Bill - June 5, 2015
	Revised - Clarification - June 19, 2015

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Appendix A – Contents

Revenue Enhancements and Transfers to the General Fund

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Local Income Tax Reserve Account

Provision in the Bill: Requires the Comptroller to distribute $100,000,000 from the Local Income Tax Reserve Account to the general fund in fiscal 2015. The State must repay this amount by distributing $10.0 million of the remaining income tax revenue from individuals to the Local Reserve Account annually in fiscal 2017 through 2025.

Agency: Comptroller's Office

Type of Action: Fund balance transfer

Fiscal			*($ in millions)*			
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$100.0	$0	($10.0)	($10.0)	($10.0)	($10.0)

State Effect: General fund revenues increase by $100.0 million in fiscal 2015 due to the transfer. General fund revenues decrease by $10.0 million annually in fiscal 2017 through 2025 due to repayment of the transfer. The fiscal 2016 budget includes a $10.0 million appropriation to the Dedicated Purpose Account for transfer to the Local Income Tax Reserve Account in fiscal 2016.

Program Description: The Local Income Tax Reserve Account is used by the Comptroller's Office to manage the cash flow of personal income tax payments and distributions to local governments. The account is also used to meet the State's liability for local income taxes according to generally accepted accounting principles. A portion of personal income tax net receipts is put into the account each month, representing an estimate of local income tax payments. In all but two months, a distribution of local income tax revenues is made from the account to local governments. The account balance fluctuates throughout the year, with a balance of $1.2 billion at the end of January 2015.

Recent History: The Budget Reconciliation and Financing Act of 2010 (Chapter 484) required the Comptroller to transfer $350.0 million from the Local Income Tax Reserve Account to the Education Trust Fund in fiscal 2010. Chapter 484 also required the State to repay $50.0 million annually to replenish the account from fiscal 2014 through 2020. However, the Budget Reconciliation and Financing Act of 2013 repealed this requirement. Chapter 484 also included a contingency that was later met, resulting in an additional transfer of $200.0 million in fiscal 2011 from the reserve account to the general fund. The State must repay the account $33.3 million annually from fiscal 2021 through 2026.

Location of Provision in the Bill: Section 1 (p. 35)

Analysis prepared by: Robert J. Rehrmann

Earned Income Tax Credit Eligibility

Provisions in the Bill: Limit eligibility for the State and local earned income tax credits to State residents only, applicable to all taxable years beginning after December 31, 2014.

Agency: Comptroller's Office

Type of Action: General fund revenue enhancement

Fiscal Impact:	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)					
GF Rev	$0	$3.8	$3.9	$3.9	$4.0	$4.1

State Effect: General fund revenues increase by $3.8 million in fiscal 2016 due to the elimination of tax credit claims by nonresidents. Future year estimates reflect the number of estimated taxpayers, recently enacted enhancements to the State credit, and termination of federal provisions.

Local Effect: Potential minimal increase in local income tax revenues beginning in fiscal 2016. According to the Comptroller's Office, nonresidents generally do not claim the *local* earned income tax credit.

Program Description: First enacted in 1975, the federal earned income tax credit is a refundable tax credit offered to low-income workers. The federal credit has expanded significantly over time and is now one of the largest federal antipoverty programs. Maryland offers a nonrefundable credit, which is equal to 50% of the federal credit or the State income tax liability in the taxable year. If the nonrefundable credit reduces a taxpayer's liability to zero, the taxpayer is eligible to claim a refundable credit equal to 25.5% of the federal credit in tax year 2015, minus any pre-credit State income tax liability. The percentage of the refundable credit will gradually increase to 28% by tax year 2018. Taxpayers who claim the federal credit can also claim a nonrefundable credit against the local income tax. No county has provided a refundable credit as authorized by State law, although Montgomery County operates a separate grant program.

Approximately $300.0 million in State and local earned income tax credits were claimed in tax year 2012, of which nonresidents claimed $3.4 million in State refundable and nonrefundable credits. Of the refundable credits claimed by nonresidents ($2.1 million), about one-third was claimed by Delaware residents, followed by New York residents (one-fifth), residents of other surrounding states (one-quarter), and the remaining one-fifth by residents from all other states.

Recent History: Chapter 389 of 2014 increased the value of the refundable credit from 25% to 28% of the federal credit, phased in over four years, beginning with tax year 2015.

Location of Provisions in the Bill: Sections 1 (pp. 36-37) and 31 (p. 63)

Analysis prepared by: Robert J. Rehrmann

Sunny Day Fund Repayment

Provision in the Bill: Requires that any loan repayment to the Economic Development Opportunities Fund (Sunny Day Fund) received by the Department of Business and Economic Development (DBED) in fiscal 2015 and 2016 be deposited in the general fund.

Agency: Department of Business and Economic Development

Type of Action: Revenue enhancement

Fiscal Impact:			*($ in dollars)*			
	FY 2015	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$828,500	$1,842,750	$0	$0	$0	$0
SF Rev	($828,500)	($1,842,750)	$0	$0	$0	$0

State Effect: General fund revenues increase by $828,500 in fiscal 2015 and $1,842,750 in fiscal 2016 based on estimated loan repayments to the Sunny Day Fund. Special fund revenues for the Sunny Day Fund decline correspondingly.

Program Description: The Economic Development Opportunities Fund, or Sunny Day Fund, provides conditional loans and investments to take advantage of extraordinary economic development opportunities, defined in part as those situations that create or retain substantial numbers of jobs and where considerable private investment is leveraged.

Recent History: In 2011, with the approval of the Legislative Policy Committee, DBED approved a multiyear series of conditional loans to the Bechtel Power Corporation in Frederick County. In exchange for a total of $9.5 million in Sunny Day funds, the corporation would be required to retain 1,250 employees in Maryland until at least December 31, 2018. The first installment of the Sunny Day incentive was provided to the corporation in fiscal 2012, with two subsequent installments in fiscal 2013 and 2014 (for a total of $4.1 million). However, in October 2014, the corporation announced its intention to move the majority of its employees to its existing facility in Northern Virginia.

To meet the employment conditions required for the incentive, the corporation must report its employment numbers annually as of December 31. The company met several of its benchmarks, and as such, a portion of the incentive it has received will be forgiven. However, based on current plans for the corporation to move its employees in fiscal 2015, approximately $2.7 million will be "clawed back" from the corporation. This provision requires that the clawed back funds be deposited in the general fund. DBED does not expect any other repayments to the fund in fiscal 2015 or 2016.

Location of Provision in the Bill: Section 10 (p. 56)

Analysis prepared by: Jody J. Sprinkle

Managed Care Organization Medical Loss Ratio Clawback

Provision in the Bill: Requires each managed care organization (MCO) that the Department of Health and Mental Hygiene (DHMH) estimates to have an insufficient loss ratio for calendar 2014 to reimburse DHMH for the amount of the estimated insufficient loss ratio.

Agency: Department of Health and Mental Hygiene

Type of Action: Revenue enhancement

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$10.0	($10.0)	$0	$0	$0	$0
FF Rev	$10.0	($10.0)	$0	$0	$0	$0

State Effect: General and federal fund revenues increase in fiscal 2015 from reimbursement from MCOs with insufficient loss ratios. As the provision accelerates receipt of revenues that would otherwise be received in fiscal 2016, revenues decline correspondingly in fiscal 2016.

Recent History: Under the Medicaid HealthChoice program, MCOs must spend 85% of premium revenue on qualified medical care expenses. If an MCO fails to meet this threshold, the MCO must return the difference between actual spending and the 85% threshold. Typically, any required payments related to the medical loss ratio are not known until approximately 16 months after the end of the calendar year. For example, payments based on calendar 2014 experience will not be known until April or May 2016, with the revenue likely not recognized until after the fiscal 2017 budget has been finalized.

According to DHMH, the department intends to apply the clawback provision on an MCO-specific basis using self-reported financial data, thereby targeting those MCOs most likely to be subject to a clawback. MCOs made significant profits in calendar 2014 and some may be subject to the clawback requirement. However, it is not known at this time the exact amount that could ultimately be claimed. This accelerated clawback strategy was adopted previously in fiscal 2012 and 2013.

Location of Provision in the Bill: Section 15 (p. 59)

Analysis prepared by: Simon G. Powell

Bay Restoration Fund

Provision in the Bill: Authorizes the transfer of $1,375,000 from the Bay Restoration Fund to the general fund in fiscal 2015.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$1.4	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1,375,000 in fiscal 2015. The transfer is expected to come from money allocated in the Bay Restoration Fund for cover crop activities under the Maryland Agricultural Water Quality Cost-Share (MACS) Program administered by MDA. Cover crop payments to farmers are conditioned on certification of acres planted. Current MDA estimates of final cover crop payments for fiscal 2015 indicate that the transfer *may* be excess funding not needed to meet cover crop commitments but, if payments exceed estimates, this action may be transferring funding otherwise needed for the cover crop program in fiscal 2015. Future years are not affected.

Program Description: The Bay Restoration Fund was established to provide grants to owners of wastewater treatment plants to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal technology and to support septic system upgrades and the planting of cover crops. The fund is supported by a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Of the revenue collected from users of septic systems and sewage holding tanks, 60% is used to upgrade septic systems and 40% is used for the planting of cover crops. The cover crop program within MACS is funded with special funds from the Bay Restoration Fund and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The fiscal 2015 budget includes $10.0 million from the Bay Restoration Fund and $11.3 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

Recent History: Budget reconciliation and financing legislation authorized the transfer of $155.0 million in fiscal 2010, $45.0 million in fiscal 2011, and $90.0 million in fiscal 2012 from the Bay Restoration Fund to the general fund. In each case, the transferred funds were replaced with general obligation bond funding.

Location of Provision in the Bill: Section 11 (p. 57)

Analysis prepared by: Scott D. Kennedy

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provision in the Bill: Redirects $8.6 million of short-term vehicle rental revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2016.

Agency: Department of Natural Resources

Type of Action: General fund revenue enhancement

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$0	$8.6	$0	$0	$0	$0
SF Rev	$0	($8.6)	$0	$0	$0	$0
SF Exp	$0	($8.6)	$0	$0	$0	$0

State Effect: General fund revenues increase by $8.6 million in fiscal 2016, 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 2016 budget reduces the special fund appropriation to the trust fund by $8.6 million, contingent on enactment of legislation adjusting the revenue distribution to the trust fund. There is no impact after fiscal 2016.

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 $8.6 million in fiscal 2016 or subsequent years. Although the amount provided to local governments varies each year depending on which projects are funded, from fiscal 2009 through 2015, local governments received approximately 19.6% of the total amount spent from the trust fund (not including local stormwater restoration funding that was funded through general obligation bonds). Accounting for the $8.6 million contingent reduction, the fiscal 2016 budget allocates $9.86 million from the trust fund for local governments. The Department of Natural Resources advises that, in the absence of this provision, 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 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 2014 (ranging from $38.2 million to $49.4 million). In fiscal 2015, trust fund revenues are anticipated to reach $51.1 million and then $52.7 million in fiscal 2016. Recent budget reconciliation legislation has redirected funds from the trust fund to the general fund. **Exhibit 2** provides a summary of these actions. As a result of these transfers and redirection of revenues from the trust fund, the trust fund is anticipated to have a zero fund balance by the end of fiscal 2015 carrying through to fiscal 2016.

Exhibit 2
Transfers to the General Fund from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
Fiscal 2009-2015
($ in Millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Chapter 414 of 2008	$25.00						
Chapter 487 of 2009		$21.49					
Chapter 484 of 2010		10.50	$22.10				
Chapter 397 of 2011			0.97	$20.17	$15.08	$11.54	$8.05
Chapter 1 of the first special session of 2012					8.00		
Chapter 464 of 2014						10.40	6.20
Total	**$25.00**	**$31.99**	**$23.07**	**$20.17**	**$23.08**	**$21.94**	**$14.25**

Note: Fiscal 2015 transfers are estimated. The $10.5 million transferred by the Budget Reconciliation and Financing Act of 2010 included $8.0 million in fiscal 2010 revenues and $2.5 million in fund balance. Funds transferred under the Budget Reconciliation and Financing Act of 2012 went to the Budget Restoration Fund rather than the general fund; even so, this fund transfer is reflected above, The Budget Reconciliation and Financing Act of 2014 transferred $2.4 million from fund balance and $8.0 million in revenues in fiscal 2014. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Location of Provision in the Bill: Section 1 (pp. 35-36)

Analysis prepared by: Andrew D. Gray

Strategic Energy Investment Fund

Provisions in the Bill: Authorize the transfer of $6,000,000 from a combination of the efficiency and conservation program accounts, renewable and clean energy programs account, and the administrative expense account of the Maryland Strategic Energy Investment Fund (SEIF) to the general fund in fiscal 2015; authorize the Maryland Energy Administration to use the fund for grants to encourage combined heat and power projects at industrial facilities.

Agencies: Maryland Energy Administration, Department of Human Resources, Department of Housing and Community Development, Department of Health and Mental Hygiene, Department of General Services, Maryland Department of the Environment

Type of Action: Fund balance transfer; administrative

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$6.0	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund revenues increase by $6.0 million in fiscal 2015 due to the transfer. Future years are not affected. To the extent these funds would have been used for programs funded by SEIF in future years, special fund expenditures decline by $6.0 million.

The SEIF fund balance is tracked separately by allocation of Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions and also includes portions for Renewable Portfolio Standard Alternative Compliance Payments and the Offshore Wind Development Fund that are dedicated to specific uses. Excluding the fund balance for dedicated purposes, the SEIF fund balance is projected to be $35.7 million at the end of fiscal 2015 following this transfer. **Exhibit 3** shows the fiscal 2014 closing balance and the projected fiscal 2015 and 2016 balances by account.

Expanding the authorization for use of SEIF for combined heat and power projects at industrial facilities neither increases nor decreases special fund revenues or expenditures, but may alter the use of funds on specific programs.

Local Effect: To the extent that a transfer occurs in a program that provides grants to local governments, the reduced fund balance could impact future funding availability.

Exhibit 3
Strategic Energy Investment Fund Balance
Fiscal 2014-2016 Estimated
($ in Millions)

	2014 Closing Fund Balance	**2015 Estimated Closing Fund Balance**	**2016 Estimated Closing Fund Balance**
Energy Efficiency and Conservation Programs, Low- and Moderate-income Sector	$7.1	$3.4	$0.0
Energy Efficiency and Conservation Programs, All Other Sectors	5.5	2.6	3.9
Renewable Energy, Clean Energy, Climate Change, Education, and Resiliency	16.5	5.6	2.8
Administration	4.3	2.9	2.5
Subtotal of SEIF for Nonenergy Assistance/Rate Relief Activities without Proposed Transfer	***33.4***	***14.5***	***9.2***
Cancellation for Restricted Funds		1.5	
Proposed Transfer		-6.0	
Subtotal for Nonenergy Assistance/ Rate Relief Activities with Proposed Transfer	***33.4***	***10.0***	***3.2***
Rate Relief	0.1	0.1	0.1
Energy Assistance	28.2	25.6	30.5
Total	**$61.6**	**$35.7**	**$33.8**

Note: Numbers may not sum due to rounding. The exhibit reflects revenue, including actual auction results in September and December 2014 and March 2015, and projected results for the remainder of fiscal 2015 and 2016 based on 2015 session estimates. The exhibit includes a proposed deficiency appropriation for the Maryland Department of the Environment. The exhibit does not include the Renewable Portfolio Standard balance and Offshore Wind balance, which are only available for specific purposes or Regional Greenhouse Gas Initiative dues, which are excluded from the revenue allocation.

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

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. The allocation of RGGI proceeds into SEIF provides at least 50% for energy assistance; at least 20% for energy efficiency and conservation programs (of which half is for low- and moderate-income programs); at least 20% for renewable energy, climate change, energy education, and resiliency programs; and up to 10% (but no more than $5.0 million) for administration.

The Maryland Energy Administration currently operates a combined heat and power program for projects to enhance electric resiliency. In fiscal 2015, $2.5 million was available for health care and publicly owned wastewater treatment facilities. Grant amounts in the program vary by the size of the system, ranging from $425 per kilowatt hour to $575 per kilowatt hour with a maximum grant of $500,000.

Recent History: Chapter 490 of 2010, Chapter 389 of 2013, and Chapters 359 and 360 of 2014 required transfers from SEIF to the Transportation Trust Fund to replace revenue lost due to an excise tax credit on the purchase of electric vehicles for fiscal 2011 through 2017. Chapter 402 of 2011 and Chapter 389 of 2013, as amended by Chapters 359 and 360 of 2014, authorized a transfer from SEIF to the general fund to replace revenue lost from an income tax credit for electric vehicle recharging equipment from fiscal 2013 through 2016.

Location of Provisions in the Bill: Sections 1 and 11 (pp. 34-35 and 56-57)

Analysis prepared by: Tonya D. Zimmerman

Health Occupations Boards

Provisions in the Bill: Authorize transfers totalling $5,900,000 from the special funds of three health occupations boards to the general fund in fiscal 2015. The transfers include $2,500,000 from the Board of Nursing Fund, $1,800,000 from the Board of Physicians Fund, and $1,600,000 from the State Board of Pharmacy Fund.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$5.9	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.9 million in fiscal 2015 due to the transfers. Future years are not affected.

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

Following the transfers, the boards' fiscal 2015 fund balances are anticipated to be as follows: State Board of Nursing, $2.0 million; State Board of Physicians, $3.9 million; and State Board of Pharmacy, $1.9 million.

Recent History: Budget reconciliation legislation in 2009, 2010, and 2011 authorized several transfers from these special funds including (1) from the Board of Physicians Fund, $3.2 million in fiscal 2009, $527,619 in fiscal 2010, and $1.0 million in fiscal 2011; (2) from the Board of Nursing Fund, $500,000 in fiscal 2009 and $305,549 in fiscal 2010; and (3) from the State Board of Pharmacy, $98,544 in fiscal 2010, $200,000 in fiscal 2011, and $237,888 in fiscal 2012. The fiscal 2010 transfers were the boards' contributions to the statewide furlough and resulting reductions to general operating expenses.

Location of Provisions in the Bill: Section 11 (p. 57)

Analysis prepared by: Jordan D. More

State Self-insured Unemployment Insurance Reserve Account

Provisions in the Bill: Authorize the transfer of $4,000,000 from the self-insured reserve account held by the State to pay unemployment compensation benefits for State employees to the general fund in each of fiscal 2015 and 2016.

Agency: Department of Budget and Management (DBM)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$4.0	$4.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $4.0 million in fiscal 2015 and 2016 due to the transfers. Following the transfers, the closing fund balance of the reserve account is anticipated to be $6.2 million in fiscal 2015 and $5.0 million in fiscal 2016. These balances are sufficient to meet the recommendation of the Office of Legislative Audits that the balance of the reserve account be no less than one quarter's payment.

When prompted, the State must reimburse the federal government for its contributions into the reserve account for federally funded positions in State service. DBM advises that the anticipated federal reimbursement is less than 15%, or $1.2 million, of the total amount transferred in fiscal 2015 and 2016.

Local Effect: None.

Program Description: DBM maintains a self-insured reserve account to pay unemployment compensation benefits for former State employees. In fiscal 2015 and 2016, State agencies are charged $0.28 per $100 of payroll. This is projected to yield $14.4 million in fiscal 2015 and $14.8 million in fiscal 2016.

Recent History: The Budget Reconciliation and Financing Act of 2009 transferred $10.0 million from the reserve account to the general fund in fiscal 2009.

Location of Provisions in the Bill: Sections 11 (p. 57) and 14 (p. 58)

Analysis prepared by: Patrick S. Frank

Baltimore City Community College

Provision in the Bill: Authorizes the transfer of $4,000,000 from the fund balance of Baltimore City Community College to the general fund in fiscal 2015.

Agency: Baltimore City Community College

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$4.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $4.0 million in fiscal 2015 due to the transfer of unreserved fund balance from the college. The transfer has no effect on services to students or resources for faculty and staff.

Local Effect: None.

Program Description: Baltimore City Community College is Maryland's only State-run community college, with two locations in Baltimore City. Due to numerous long-term vacancies and deferred projects, the college has accrued a fund balance of $34.3 million at the beginning of fiscal 2015. The college reports that $24.7 million of the total is set aside for dedicated purposes, so this transfer leaves more than half of the remainder ($5.6 million of $9.6 million) for use by the college, plus any transfers into the fund in fiscal 2015.

Location of Provision in the Bill: Section 11 (p. 57)

Analysis prepared by: Garret T. Halbach

Jane E. Lawton Conservation Fund

Provision in the Bill: Authorizes the transfer of $3,000,000 from the Jane E. Lawton Conservation Fund to the general fund in fiscal 2015.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Rev	$3.0	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund revenues increase by $3.0 million in fiscal 2015 due to the transfer.

Local Effect: To the extent that fewer loans are made from the fund, local governments that may have applied for and otherwise would have received a loan may be impacted.

Program Description: Chapters 466 and 467 of 2008 created the Jane E. Lawton Loan Program (JELLP), by consolidating the Community Energy Loan Program and the Energy Efficiency and Economic Development Loan Program, and established the Jane E. Lawton Conservation Fund. JELLP provides low-interest loans for energy efficiency and conservation projects to nonprofits, local governments, and businesses. JELLP's predecessor programs were initially capitalized with funds from the Energy Overcharge Restitution Fund, which may only be used as provided under federal law and the terms of the settlements that created the fund. JELLP received $3.3 million in additional capitalization from the Strategic Energy Investment Fund (SEIF) in fiscal 2009 and 2010. Although not specified by the bill, MEA indicates that the transfer will be from SEIF capitalization of the fund. After accounting for the transfer, the balance of the Jane E. Lawton Conservation Fund is estimated to be $2.2 million at the close of fiscal 2015.

Recent History: Loan activity under JELLP has generally been well below the level of appropriation since the program's establishment after accounting for loan/encumbrance cancellations, with activity ranging from 10.6% to 74.8% of the appropriation. Planned funding in each year of the 2015 *Capital Improvement Program* ($1.75 million in fiscal 2016 and $1.6 million in fiscal 2017 through 2020) is higher than loan activity in recent years.

Location of Provision in the Bill: Section 11 (p. 57)

Analysis prepared by: Tonya D. Zimmerman

Mortgage Lender-Originator Fund

Provision in the Bill: Authorizes the transfer of $3,000,000 from the Mortgage Lender-Originator Fund to the general fund in fiscal 2015.

Agency: Department of Labor, Licensing, and Regulation (DLLR)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$3.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $3.0 million in fiscal 2015 due to the transfer. After the transfer, the fiscal 2015 fund balance will be $2.8 million.

DLLR advises that it has eight positions (costing approximately $750,000 annually) dedicated to foreclosure prevention and mitigation, examination of licensees, and investigation of mortgage-related complaints that are currently funded by proceeds from the Attorney General's National Mortgage Settlement. Settlement proceeds will be depleted by the end of fiscal 2016, at which time funding from the Mortgage Lender-Originator Fund will be needed to support the costs. The transfer, in combination with these costs, accelerates spend down of the special fund balance. By fiscal 2020, the fund may need additional special fund revenues to support expenditures.

Program Description: The Mortgage Lender-Originator Fund, established by Chapter 590 of 2005, consists of revenues received from the licensing of mortgage lenders and originators. DLLR's Office of the Commissioner of Financial Regulation uses the fund to pay for the costs of regulating the industry.

Location of Provision in the Bill: Section 11 (p. 57)

Analysis prepared by: Elizabeth C. Bayly

Health Personnel Shortage Incentive Grant Program

Provision in the Bill: Authorizes the transfer of $1,700,000 from the fund balance of the Health Personnel Shortage Incentive Grant (HPSIG) program to the general fund in fiscal 2015.

Agency: Maryland Higher Education Commission

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$1.7	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $1.7 million in fiscal 2015. This provision transfers unused fund balance from HPSIG. While the funds have not been spent, this action reduces the availability of funds for future awards through HPSIG.

Local Effect: None.

Program Description: HPSIG is funded by a percentage of physicians' fees collected annually by the State Board of Physicians. These funds are then made available to postsecondary education institutions to enhance or expand approved academic programs in health occupations experiencing personnel shortages in Maryland. Following this transfer, the fund balance will be $37,198, plus expected revenue of about $500,000 from the board at the end of fiscal 2015.

Location of Provision in the Bill: Section 11 (p. 57)

Analysis prepared by: Garret T. Halbach

Spinal Cord Injury Research Trust Fund

Provisions in the Bill: Authorize the transfer of $500,000 from the Spinal Cord Injury Research Trust Fund to the general fund in both fiscal 2015 and 2016.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Rev	$500,000	$500,000	$0	$0	$0	$0

State Effect: General fund revenues increase by $500,000 in fiscal 2015 and 2016 due to the transfers. Following each transfer, the fund balance of the trust fund will be depleted.

Program Description: The State Board of Spinal Cord Injury Research was established in 2000 to award grants from the Spinal Cord Injury Research Trust Fund for spinal cord injury research that is focused on basic, preclinical, and clinical research for the development of new therapies to restore neurological function in individuals with spinal cord injuries. The fund receives $500,000 annually from the insurance premium tax. No grants have been awarded since fiscal 2009.

Recent History: Budget reconciliation legislation transferred $1.6 million from the fund to the general fund in fiscal 2010, $1.0 million in fiscal 2011, and $500,000 in fiscal 2012. As a result, the board has not met regularly since fiscal 2010 due to lack of funding. In fiscal 2013, the fund received no revenues; in fiscal 2014, revenues were provided but were not classified as special funds and, thus, reverted to the general fund.

Location of Provisions in the Bill: Sections 11 (p. 57) and 14 (p. 58)

Analysis prepared by: Kathleen P. Kennedy

State Police Helicopter Replacement Fund

Provisions in the Bill: Repeal the State Police Helicopter Replacement Fund (SPHRF) and transfer the remaining balance to the general fund. Specify that, beginning July 1, 2015, any revenue from certain moving violation citations issued before October 1, 2010, that would otherwise have been credited to SPHRF must be credited to the general fund.

Agency: Department of State Police; Judiciary (Administrative Office of the Courts)

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$269,741	$9,646	$4,822	$2,408	$1,208	$600

State Effect: General fund revenues increase by $269,741 in fiscal 2015 from the transfer of the remaining SPHRF balance. Beginning in fiscal 2016, general fund revenues increase from the redirection of revenues that would otherwise accrue to SPHRF.

Program Description/Recent History: The Maryland State Police Aviation Command operated a fleet of 12 Dauphin helicopters, most of which were purchased between 1989 and 1994. After determining that a new fleet was required, Chapter 416 of 2006 created SPHRF for the purpose of procuring new helicopters and related equipment using a portion of revenues collected from a $7.50 surcharge on court costs in certain traffic cases.

Chapter 735 of 2010 expanded the cases for which the surcharge applies and repealed the distribution of funding to SPHRF effective October 1, 2010. Due to the prospective application of Chapter 735, SPHRF continues to receive 50% of revenues from citations issued prior to October 1, 2010. From fiscal 2011 to 2014, SPHRF received $962,000 from citations issued prior to October 1, 2010; in fiscal 2014, $19,279 was received from these citations.

Chapter 6 of the 2007 special session required that $110.0 million from fiscal 2008 sales tax revenues be placed in SPHRF. Chapter 414 of 2008 reduced the required appropriation to $50.0 million, but the appropriation was cancelled by the Budget Reconciliation and Financing Act of 2009 due to budget constraints. Instead, $52.7 million in general obligation (GO) bonds were authorized to initiate the replacement, and a corresponding $52.7 million balance from SPHRF was transferred to the general fund. Replacement of the helicopter fleet has been funded entirely through GO bonds.

Location of Provisions in the Bill: Sections 1 (pp. 31-32), 12 (p. 57), and 13 (p. 58)

Analysis prepared by: Laura M. Vykol

Sustainable Communities Tax Credit Reserve Fund

Provision in the Bill: Authorizes the transfer of $58,000 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2015.

Agency: Maryland Department of Planning

Type of Action: Fund balance transfer

Fiscal Impact:	*(in dollars)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$58,000	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $58,000 in fiscal 2015 due to the transfer, which represents excess operating revenue from administrative fees collected in fiscal 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.

Recent History: The Budget Reconciliation and Financing Act of 2014 transferred a total of $19.1 million from the reserve fund to the general fund in fiscal 2014. The Budget Reconciliation and Financing Act of 2013 transferred $430,000 from the reserve fund to the general fund in fiscal 2013 and required credits for commercial rehabilitation projects approved prior to fiscal 2005 (prior to the establishment of the reserve fund) that do not have a valid, unexpired building permit, to be cancelled on July 1, 2014, reducing future liabilities.

Location of Provision in the Bill: Section 11 (p. 57)

Analysis prepared by: Jennifer B. Chasse

State Retirement and Pension System Funding

Provisions in the Bill: Repeal the corridor funding method for fiscal 2017 and thereafter and maintain a supplemental contribution of $75,000,000 for the State Retirement and Pension System (SRPS) until the system reaches an actuarial funding level of 85%. For fiscal 2017 through 2020, require that an amount equal to one-half of the unappropriated general fund surplus in excess of $10,000,000 from the second prior fiscal year be paid to the SRPS pension trust fund, up to a maximum of $50,000,000 annually. Require the Department of Legislative Services (DLS) to review the amounts to be appropriated to the accumulation funds of SRPS.

Agency: Statewide

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($63.0)	($107.7)	($154.7)	($199.9)	($175.0)
SF Exp	$0	($6.0)	($10.3)	($14.7)	($19.0)	($16.7)
FF Exp	$0	($6.0)	($10.3)	($14.7)	($19.0)	($16.7)

State Effect: State expenditures (all funds) decrease by $75.0 million in fiscal 2016, reflecting the reduction of the supplemental contribution from $150.0 million to $75.0 million. The reduced expenditures are estimated to be allocated 84% general funds, 8% special funds, and 8% federal funds. Out-year savings reflect the shift from the corridor funding method beginning with fiscal 2017 and the maintenance of the $75.0 million supplemental contribution. These savings are offset by an increase in general fund expenditures of up to $50.0 million annually in fiscal 2017 through 2020 resulting from the requirement to appropriate an amount equal to one-half of the unappropriated general fund balance above $10.0 million to the pension fund.

Under current law, the amount equal to the unappropriated general fund balance above $10.0 million is allocated to the Rainy Day Fund. However, any funds over 5% of operating expenses are available to the Governor to provide general fund relief, with authorizing legislation. In recent years, amounts over 5% of operating expenses have been transferred to the general fund to support general fund expenditures. The amounts redirected to the pension fund will result in less Rainy Day Fund balance available to support general fund expenditures. The pension sweeper provision increases general fund expenditures for SRPS by up to $50 million annually in fiscal 2017 through 2020, and reduces general fund revenues for the Rainy Day Fund by a commensurate amount. The actual amount paid to the pension fund cannot be reliably estimated and depends on the amount of the unallocated general fund balance at the end of each fiscal year. Therefore, it is not reflected in the above exhibit. DLS can complete the required review with existing resources.

Program Description: The corridor funding method for SRPS was enacted during the 2002 legislative session. It specifies that employer contribution rates for the Teachers' Combined Systems (TCS) and the Employees' Combined Systems (ECS) are frozen at fiscal 2002 levels as long as each system's funding level is between 90% and 110%. When a system's funding level falls out of that "corridor," the contribution rate increases by 20% of the difference between the previous year's rate and the "full actuarial rate" necessary to fully fund future payments. ECS fell out of the corridor in fiscal 2005, and TCS followed in fiscal 2006. Chapters 475 and 476 of 2013 phased out the corridor funding method over 10 years.

Pension reform provisions of Chapter 397 of 2011 established a goal that SRPS would achieve an actuarial funding level of 80% within 10 years, in part by reinvesting savings generated by the pension changes into the pension trust fund in the form of a "supplemental contribution." The original intent of the supplemental contribution was to narrow the gap between the amount contributed under the corridor method and the much higher amount that would have been contributed under full actuarial funding. In fiscal 2012 and 2013, the supplemental contribution equaled all but $120.0 million of the savings generated, or roughly $190.0 million each year. The supplemental contribution was scheduled to increase permanently to $300.0 million beginning in fiscal 2014, but Chapter 464 of 2014 altered the amounts. For each of fiscal 2014 and 2015, the supplemental contribution was set at $100.0 million. Beginning in fiscal 2016, Chapter 464 increased the supplemental contribution by $50.0 million annually until it reached the original amount of $300.0 million in fiscal 2019. It then remained at that level until the corridor funding method was fully phased out and the pension fund reached an actuarial funding level of 85%.

A combination of factors, including higher-than-assumed investment returns, the effects of the 2011 pension reforms, and the corridor phase-out have substantially narrowed the gap between the amount that the State contributes under the corridor method and the amount that it would contribute under full actuarial funding. In fact, the $150.0 million supplemental contribution otherwise required under current law exceeds the gap by about $70.0 million. As a result, it is no longer necessary to maintain the supplemental contribution at the higher level to narrow that gap because that goal has already been achieved.

Recent History: As of June 30, 2014, the funding ratio for SRPS is 67.7%. The system's actuary projects that, under current funding rules, the system will reach the 80% funding level in 2021, two years earlier than was projected in 2011 following the enactment of Chapter 397. The amount of unallocated general fund balance in each of the last five fiscal years has ranged from a low of $104.1 million in fiscal 2014 to a high of $431.3 million in fiscal 2012.

Location of Provisions in the Bill: Sections 2 (pp. 32-33), 3 (pp. 47-53), and 24 (p. 61)

Analysis prepared by: Michael C. Rubenstein

Net Taxable Income Adjustment Grants

Provision in the Bill: Delays by one year the phase-in of net taxable income (NTI) adjustment grants. The phase-in percentage is altered from 60% to 40% in fiscal 2016, 80% to 60% in fiscal 2017, and 100% to 80% in fiscal 2018. Grant funding is fully phased in by fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0.0	($11.9)	($12.1)	($12.2)	$0.0	$0.0

State Effect: Mandated general fund expenditures for NTI grants decrease by $11.9 million in fiscal 2016, $12.1 million in fiscal 2017, and $12.2 million in fiscal 2018. The fiscal 2016 budget redirects the general fund savings to other legislative priorities, contingent on enactment of legislation freezing the NTI increase phase-in for one year. Future years are not affected since the grants are fully phased in by fiscal 2019.

Local Effect: Direct State aid for public schools is reduced in fiscal 2016 through 2018, equal to the annual decreases in State general fund expenditures shown above. In each of these years, Prince George's County incurs over 40% of the statewide decrease in NTI adjustment grant funding. The decrease in funding for fiscal 2016 is shown by county in **Appendix C**.

Program Description: Chapter 4 of 2013 requires State education aid formulas that include a local wealth component to be calculated twice, once using an NTI amount for each county based on tax returns filed by September 1, and once using an NTI amount based on tax returns filed by November 1. Each local school system receives the greater State aid amount that results from the two calculations, with the increase phased in over five years beginning in fiscal 2014.

Recent History: NTI adjustment grants to 18 counties totaled $8.3 million in fiscal 2014 and increased to $26.9 million in fiscal 2015.

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

Analysis prepared by: Scott P. Gates

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

Provision in the Bill: Reduces the fiscal 2016 appropriation for the Senator John A. Cade formula for local community colleges to specified amounts for each college. The statutory percentages are unchanged in future years.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($9.0)	$0	$0	$0	$0

State Effect: Under the revised funding amounts, mandated general fund expenditures for the Cade formula decrease in fiscal 2016 by $9.0 million. Future years are not affected by this provision.

Local Effect: Direct State aid for local community colleges decreases by a total of $9.0 million in fiscal 2016. The Cade formula will phase up to full funding by fiscal 2023. **Appendix C** shows the fiscal 2016 impact by county.

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 primarily on its proportion of formula funding from the prior year and enrollment.

Recent History: Chapter 333 of 2006 began a phased enhancement of the Cade formula that has been adjusted frequently by budget reconciliation legislation. The most recent alteration reducing funding levels was enacted in the Budget Reconciliation and Financing Act of 2012, which set a State funding floor per FTES for fiscal 2014 through 2017 and reduced formula funding levels for fiscal 2018 through 2022. The Budget Reconciliation and Financing Act of 2014 altered the funding percentages in statute to increase support for community colleges sooner.

Location of Provision in the Bill: Section 1 (pp. 15-19)

Analysis prepared by: Garret T. Halbach

Joseph A. Sellinger Program for Independent Colleges and Universities

Provision in the Bill: Reduces the fiscal 2016 appropriation for the Joseph A. Sellinger formula for qualifying independent colleges and universities and specifies that funds are to be allocated based on each institution's proportion of full-time students enrolled in the fall 2014 semester at all of the qualifying institutions. The statutory percentages are unchanged in future years.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($5.1)	$0	$0	$0	$0

State Effect: Under the revised funding amount, mandated general fund expenditures for the Sellinger formula decrease in fiscal 2016 by $5.1 million.

Local Effect: None.

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 selected public four-year institutions of higher education to determine a per FTES funding amount for the independent institutions. Under current law, the mandated Sellinger percentage of per FTES funding at the four-year institutions is 9.6% for fiscal 2016 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 2012 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. The Budget Reconciliation and Financing Act of 2014 altered the funding percentages in statute to increase support for eligible institutions sooner than originally planned. Sojourner-Douglass College recently lost its Middle States accreditation and, therefore, will likely close at the end of the 2014-2015 academic year.

Location of Provision in the Bill: Section 1 (pp. 19-22)

Analysis prepared by: Garret T. Halbach

County-State Minimum Library Program

Provision in the Bill: Extends the phase-in period of increases in the per capita funding for county public libraries participating in the State's minimum library program from 4 years to 10 years. The per capita amount is reduced from $15.00 to $14.27 in fiscal 2016, and is fully phased in at $16.70 in fiscal 2025.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0.0	($1.8)	($3.7)	($3.8)	($4.1)	($3.5)

State Effect: Mandated general fund expenditures decrease by $1.8 million in fiscal 2016. Future years reflect continued general fund savings based on current estimates of population growth. General fund savings decline beginning in fiscal 2020, until per capita funding is fully phased in by fiscal 2025. The fiscal 2016 budget reduces MSDE's general fund appropriation by $1,793,461, contingent on enactment of legislation phasing in the increase per resident amount over 10 years.

Local Effect: Direct State aid for local libraries decreases by $1.8 million in fiscal 2016 and annually until fiscal 2025. The decrease in funding for fiscal 2016 is shown by county in **Appendix C.**

Program Description: The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. Overall, the State provides 40% of the minimum program and the counties provide 60%. The State/local share of the minimum program varies by county depending on local wealth. However, no library may receive less than 20% of the per capita minimum from the State.

Recent History: Chapter 481 of 2005 began phased-in enhancements to the library aid formula, increasing the per-resident allocation by $1 per year from $12 in fiscal 2006 to reach $16 in fiscal 2010. However, budget reconciliation legislation enacted between 2007 and 2011 slowed enhancements and reduced the target per-resident amount to $14. Chapter 500 of 2014 increased the per capita funding amount that must be provided to each county public library system participating in the State's library program, beginning in fiscal 2016. The per-resident amount for fiscal 2016 is $15, phasing up to $16.70 by fiscal 2019.

Location of Provision in the Bill: Section 1 (pp. 24-25)

Analysis prepared by: Scott P. Gates

Library Regional Resource Centers

Provision in the Bill: Extends the phase-in of an increase in the per capita funding amount that must be provided to each regional resource center from a 4-year phase-in period to a 10-year phase-in period beginning in fiscal 2016.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($0.5)	($1.1)	($1.1)	($1.2)	($1.0)

State Effect: General fund expenditures decrease by $526,083 in fiscal 2016 as the per capita amount of funding provided to regional resource centers is decreased from $7.50 per resident to $6.95 per resident. The fiscal 2016 budget reduces MSDE's general fund appropriation by $526,083, contingent on enactment of legislation phasing in the increase per resident over 10 years. Future years reflect general fund savings from the reduced mandated per capita amounts.

Local Effect: Local revenues from State library aid for the three regional resource centers decrease by an estimated $526,083 in fiscal 2016, and by as much as $1.0 million to $1.2 million in the out-years, due to the extended phase-in of the increase in per capita aid amounts.

Program Description: The State provides funds to libraries designated as resource centers, including the State Library Resource Center in Baltimore City, and to regional resource centers, including the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown. Each year each participating regional resource center must receive a minimum amount of funding for each resident of the area served to be used for operating and capital expenses.

Recent History: The Budget Reconciliation and Financing Act of 2011 set funding for regional resource centers at $6.75 per resident of each region for fiscal 2012 through 2016, before phasing up to $7.50 per resident in fiscal 2019 and in subsequent years. Chapter 500 of 2014 provided an increase in per capita State aid for regional resource centers of $0.75 in fiscal 2016 and 2017 and $0.25 for fiscal 2018 and 2019, reaching $8.75 per resident.

Location of Provision in the Bill: Section 1 (pp. 22-23)

Analysis prepared by: Rebecca J. Ruff

State Library Resource Center

Provision in the Bill: Extends the phase-in of an increase in the per capita funding amount that must be provided to the State Library Resource Center from three years to nine years beginning in fiscal 2017.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*(in dollars)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	$0	($238,968)	($481,604)	($727,959)	($611,313)

State Effect: General fund expenditures decrease by an estimated $238,968 in fiscal 2017 as the per capita amount of funding provided to the State Library Resource Center is decreased from $1.73 per State resident to $1.69 per State resident. Future years reflect general fund savings from the reduced mandated per capita amounts. At the end of the nine-year period (fiscal 2025), the per capita amount provided to the State Library Resource Center will be $1.85 per State resident.

Program Description: The State provides funds to libraries designated as resource centers including the State Library Resource Center in Baltimore City (the Central Library of the Enoch Pratt Free Library) and to regional resource centers, including the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown.

Recent History: The Budget Reconciliation and Financing Act of 2011 set funding for the State Library Resource Center at $1.67 per resident for fiscal 2012 through 2016, before a phase-in to $1.85 by fiscal 2019.

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

Analysis prepared by: Rebecca J. Ruff

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 2016 through 2021. Mandated funding is extended for three additional years (through fiscal 2024) at $2,875,000 per fiscal year.

Agency: Maryland Department of Agriculture

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($1.1)	($1.1)	($1.1)	($1.1)	($1.1)

State Effect: Mandated general fund expenditures decrease by $1,125,000 in fiscal 2016 through 2021 based on the amount the Governor otherwise would have been required to fund ($4,000,000). Mandated general fund expenditures increase by $2,875,000 in fiscal 2022 through 2024.

Local Effect: Local governments may be affected in fiscal 2016 through 2021 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 2022 through 2024.

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: Chapter 289 of 2006 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, including extending the mandate through fiscal 2021, and the amounts appropriated each year have been less than $3.0 million. In fiscal 2013 through 2015, $2.9 million was provided.

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

Analysis prepared by: Scott D. Kennedy

Transfer Tax-funded Programs

Provisions in the Bill: Authorize the Governor to transfer $10,500,000 from the Program Open Space (POS) fund balance to the general fund in fiscal 2015. Increase by $37,712,700 the revenue from the transfer tax that is diverted to the general fund in fiscal 2016. Delay, until fiscal 2019, the requirement that transfer tax funds diverted to the general fund be repaid by unappropriated general fund balance in excess of $10.0 million. Specify that fiscal 2015 transfer tax underattainment will not be reduced from POS and related programs in fiscal 2017. Authorize transfer tax revenue in fiscal 2015 in excess of $161,016,000 to be transferred by budget amendment in fiscal 2016 for specified purposes.

Agencies: Department of Natural Resources (DNR); Maryland Department of Agriculture (MDA)

Type of Action: Special fund transfer; mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$10.5	$37.7	$0	$0	$0	$0
GF Exp	$0	($50.0)	(-)	(-)	-	-
SF Exp	$0	($37.7)	$32.5	$0	$0	$0

State Effect:

Balance Transfer: General fund revenues increase by $10.5 million in fiscal 2015 from the transfer of the entire $8.2 million POS Local unencumbered balance and $2.3 million of the POS State unencumbered balance. The remaining POS unencumbered balance is $494,430. The fiscal 2016 capital budget includes $8.2 million in general obligation (GO) bonds to replace the unencumbered balance transfer.

Revenue Diversion: In fiscal 2016, general fund revenues increase by $37.7 million from the redirection of transfer tax revenues to the general fund. It is assumed that, without the transfer, these special funds would be used to support POS, Rural Legacy, the Maryland Agricultural Land Preservation Foundation (MALPF), and the Heritage Conservation Fund in fiscal 2016. Thus, special fund expenditures decrease by a corresponding amount in fiscal 2016. The fiscal 2016 budget reduces special fund expenditures by (1) $27.9 million in DNR, including $8.8 million for POS State Acquisition, $12.9 million for POS Local, and $6.2 million for Rural Legacy and (2) $9.8 million for MALPF in MDA, contingent on legislation crediting transfer tax revenues to the general fund.

Current law authorizes the Governor to transfer $77.7 million in transfer tax revenue to the general fund in fiscal 2016. This provision increases the amount that may be transferred by an additional $37.7 million, for a total of $115.4 million. While GO bonds are programmed in the fiscal 2016 capital budget for both DNR and MDA, neither amount has been explicitly labeled as replacement for the additional 2016 transfer. In addition, all preauthorizations of GO bond replacement funding for prior year and planned future year redirections of the transfer tax to the general fund have been deleted in the fiscal 2016 capital budget. GO bonds programmed in the fiscal 2016 capital budget, as well as use of bond premiums, include $21.6 million for POS State, $22.0 million for POS Local, $9.4 million for Rural Legacy, and $17.0 million for MALPF.

Repayment Requirement: General fund expenditures decrease by $50.0 million in fiscal 2016 due to delay of the $90.0 million repayment requirement until fiscal 2019. General fund expenditures may decrease by $40.0 million in fiscal 2017 or 2018, but the exact fiscal year cannot be estimated since current law requires repayment equivalent to the second prior year unappropriated general fund surplus that exceeds $10.0 million, limited to $50 million per year, and it is not known at this time when the unappropriated surplus will exceed $10.0 million. Repayment must begin in fiscal 2019; to the extent this trigger is met, general fund expenditures increase at that time.

Underattainment Application: The fiscal impact of this provision is dependent on actual fiscal 2015 transfer tax revenues. The current fiscal 2015 transfer tax revenue estimate is $161.0 million, a reduction of $32.5 million from the original estimate of $193.5 million. The law requires that the amount of transfer tax available for allocation be reduced by any underattainment from the second prior fiscal year. Therefore, by repealing the underattainment application for fiscal 2017, based on current transfer tax estimates, special fund expenditures increase by $32.5 million in fiscal 2017.

Additional Transfer Tax Revenues: Transfer tax revenue in fiscal 2015 in excess of $161.0 million may be transferred by budget amendment in fiscal 2016 for (1) administrative expenses related to land acquisition for POS; (2) critical maintenance projects in DNR; (3) Natural Resources Development Fund projects in DNR; and (4) replacement of general fund appropriations in the Maryland Park Service. To the extent transfer tax revenues exceed $161.0 million, special fund expenditures increase in fiscal 2016.

Local Effect: Local governments receive grants for land acquisition, the development of park and recreational facilities, and the purchase of easements funded through the local share of POS, Rural Legacy, and MALPF. Under these provisions, $8.2 million is transferred from the POS Local unencumbered balance in fiscal 2015. The impact of this provision on the counties is shown in **Exhibit 4**. In addition, $12.9 million in revenues from POS Local programs is transferred to the general fund in fiscal 2016. The impact of that transfer on the counties is shown in **Appendix C**.

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.

The Administration must appropriate $50.0 million into the Dedicated Purpose Account in fiscal 2016 to repay previous fund transfers. In fiscal 2006, $90.0 million in transfer tax revenues were transferred to the general fund, instead of being appropriated in POS. Section 13-209 of the Tax-Property Article requires that transfers after fiscal 2005 must be reimbursed beginning in fiscal 2016. The required appropriation is an amount equivalent to the unappropriated general fund surplus that exceeds $10 million, limited to $50.0 million per year. The Comptroller's Office advises that the fiscal 2014 unappropriated surplus is $104.0 million, thus requiring a $50 million appropriation in fiscal 2016.

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. From fiscal 2006 through 2015, a total of $863.3 million in transfer tax revenue and fund balances has been transferred to the general fund, of which $459.2 million has been replaced through fiscal 2015. **Exhibit 5** shows transfers and GO bond replacements for fiscal 2006 through 2015.

Exhibit 4
Impact of Transfer of Program Open Space Local Unencumbered Balances by County
Fiscal 2015
($ in Thousands)

County	Amount
Allegany	($132)
Anne Arundel	(1,430)
Baltimore City	0
Baltimore	(2,605)
Calvert	(71)
Caroline	(62)
Carroll	(234)
Cecil	(165)
Charles	(370)
Dorchester	0
Frederick	(336)
Garrett	0
Harford	(238)
Howard	0
Kent	(40)
Montgomery	0
Prince George’s	(1,822)
Queen Anne’s	(87)
St. Mary’s	(162)
Somerset	(38)
Talbot	(220)
Washington	(6)
Wicomico	0
Worcester	(165)
Total	**($8,181)**

Note: These funds are replaced at the same amount for each county with general obligation bonds in the fiscal 2016 capital budget.

Source: Department of Budget and Management

Exhibit 5
Transfer Tax Transferred to the General Fund
Fiscal 2006-2015
($ 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	130.6
2011	23.5	156.3
2012	94.5	45.8
2013	96.9	0.0
2014	89.2	59.4
2015	144.2	67.1
Total	**$863.3**	**$459.2**

Notes: This exhibit reflects all $70.0 million of POS Acquisition Opportunity Loan of 2009 funding split between fiscal 2010 and 2011. Funds transferred under the Budget Reconciliation and Financing Act of 2012 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 Provisions in the Bill: Sections 1 (pp. 37-39) and 11 (p. 56)

Analysis prepared by: Andrew D. Gray

Maryland Park Service – Payment in Lieu of Taxes

Provisions in the Bill: Prohibit the Department of Natural Resources (DNR) from making revenue sharing payments to counties from non-timber or concession operations park earnings in fiscal 2015 only.

Agency: Department of Natural Resources

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
SF Exp	($1.7)	$0	$0	$0	$0	$0

State Effect: Special fund expenditures decrease by $1.7 million in fiscal 2015, which reflects the amount budgeted for payments to counties from Forest or Park Reserve Fund non-timber sales and Forest and Park Concession Account revenues.

The fiscal 2016 budget includes a fiscal 2015 deficiency withdrawing $1,740,000 in special fund appropriations: $1,600,000 from the Forest or Park Reserve Fund and $140,000 from the Forest and Park Concession Account.

Local Effect: Local revenues from payments currently made by DNR decrease by an estimated $1.7 million in fiscal 2015 due to the prohibition on revenue sharing payments to counties from park earnings.

Program Description: DNR is required to administer the Forest or Park Reserve Fund, the stated purpose of which is to enable DNR to purchase and manage, in the name of the State, lands suitable for forest culture, reserves, watershed protection, State parks, scenic preserves, historic monuments, parkways, and State recreational reserves. All revenues generated from State forests and parks are paid into the fund.

DNR is also required to administer the Forest and Park Concession Account; its stated purpose is to finance the maintenance and operation of concession operations and the functions of State forests and parks. All money derived from concession operations in State forests and parks is paid into the account.

Each county in which any State forest or park is located annually receives 15% of the net revenues derived from the forest or park located in that county, including concession operations. If the forest or park reserve comprises 10% or more of its total land area, the county annually receives 25% of the net revenues derived from the reserve. The original intent of the county payments was to offset the loss in property taxes to counties in which the State owned a significant amount of acreage.

Recent History: The Budget Reconciliation and Financing Act of 2009 prohibited DNR from making revenue-sharing payments to counties from park earnings for fiscal 2010 and 2011 only. The Budget Reconciliation and Financing Act of 2011 prohibited DNR from making revenue-sharing payments to counties from park earnings for fiscal 2012 and 2013 only.

Location of Provisions in the Bill: Section 1 (p. 29)

Analysis prepared by: Andrew D. Gray

State Aid for Police Protection

Provision in the Bill: Reduces the total amount of grants provided under the State Aid for Police Protection (SAPP) formula to $67,277,067 in fiscal 2015 and 2016. This reduces SAPP funding to the fiscal 2014 level for fiscal 2015 and 2016.

Agency: Governor's Office of Crime Control and Prevention

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($3.7)	$0	$0	$0	$0

State Effect: General fund expenditures for SAPP decline by $3.7 million in fiscal 2016, based on the amount the Governor would have been required to provide absent this provision. On January 7, 2015, the Board of Public Works reduced SAPP grants by $558,051 for fiscal 2015. This provision is consistent with this action; therefore, there is no additional fiscal impact in fiscal 2015.

Local Effect: Local government SAPP grants are reduced by a minimal amount in fiscal 2015. In fiscal 2016, SAPP grants decline by $3.7 million. The fiscal 2016 budget specifies that the reduction in the SAPP grant must be allocated on a proportional basis. The impact of this reduction on counties is shown in **Appendix C**.

Program Description: Maryland's counties and municipalities receive grants for police protection through the SAPP formula. SAPP generally allocates funds on a per-capita basis, and jurisdictions with a higher population density receive greater per-capita grants.

Recent History: As a cost containment measure, SAPP funding was capped at $45.4 million from fiscal 2010 through 2013. The formula was fully funded in fiscal 2014 at $67.3 million.

Location of Provision in the Bill: Section 1 (p. 32)

Analysis prepared by: Jolshua S. Rosado

Cybersecurity Investment Incentive Tax Credit

Provision in the Bill: Reduces the mandated appropriation to the Maryland Cybersecurity Investment Tax Credit Reserve Fund by $500,000 in fiscal 2016.

Agency: Department of Business and Economic Development (DBED)

Type of Action: Mandate relief

Fiscal	*(in dollars)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($500,000)	$0	$0	$0	$0

State Effect: Mandated general fund expenditures decrease by $500,000 in fiscal 2016 based on the amount the Governor would otherwise be required to provide ($2.0 million). Future year appropriations are not affected.

Program Description: The Cybersecurity Investment Incentive Tax Credit provides a refundable tax credit to qualified Maryland cybersecurity companies that secure investments from investors. Companies can claim a credit that equals 33% of an eligible investment, up to $250,000 for each investor. A single company may not receive total credits of more than 15% of the total program appropriation in each fiscal year. Total credits issued during a fiscal year cannot exceed the budgeted amount and are issued on a first-come, first-served basis. The program awarded $1.0 million in tax credits in calendar 2014.

The program is administered by DBED through the Maryland Cybersecurity Investment Tax Credit Reserve Fund. In fiscal 2015, the fund had $5.0 million in available funding for the program. However, the amount of available funding was reduced to $1.5 million by the Board of Public Works in January 2015.

Location of Provision in the Bill: Section 1 (p. 37)

Analysis prepared by: Stephen M. Ross

Maryland Health Insurance Plan Fund

Provisions in the Bill: Authorize the Department of Health and Mental Hygiene (DHMH) to use funds in the Maryland Health Insurance Plan (MHIP) Fund for Medicaid provider reimbursements in fiscal 2015. DHMH may use the greater of $55,000,000 or the estimated percentage of the fund balance obtained from payors other than Medicare or Medicaid. The remaining fund balance obtained from Medicare or Medicaid may be used in fiscal 2016 through 2019 to support integrated care networks designed to reduce health care expenditures and improve outcomes for specified Medicare and dual-eligible (Medicaid and Medicare) patients, consistent with the goals of Maryland's all-payer model. The Health Services Cost Review Commission is prohibited from imposing an assessment on hospital rates for the operation and administration of MHIP for fiscal 2016 only.

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

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
SF Rev	$0	($39.4)	$0	$0	$0	$0
FF Rev	$0	($4.7)	$0	$0	$0	$0
GF Exp	($47.0)	($3.2)	$0	$0	$0	$0
SF Exp	$55.0	$0	$0	$0	$0	$0
FF Exp	$0	($4.7)	$0	$0	$0	$0

State Effect: Authorization to use funds from the MHIP Fund allows Medicaid to substitute special fund expenditures for general fund expenditures in fiscal 2015. The fiscal 2016 budget alters the fiscal 2015 Medicaid deficiency appropriation by reducing general funds by $47.0 million and increasing special funds by $45.0 million, contingent on enactment of legislation authorizing the use of the MHIP Fund for Medicaid provider reimbursements. While only $45.0 million in special funds is budgeted, it is assumed that the full $55.0 million will be expended in fiscal 2015. Following the proposed fund swap, the MHIP Fund balance is anticipated to be $123.0 million.

In fiscal 2016, special fund revenues decline by $39.4 million due to the one-year bar on imposing the MHIP assessment. Medicaid general fund expenditures decline by $3.2 million to reflect lower hospital rates in the absence of the assessment. Federal fund revenues and expenditures decline to reflect a reduction in federal matching funds. The fiscal 2016 budget reduces the general fund appropriation for Medicaid by $955,000, contingent on enactment of legislation reducing the MHIP assessment to 0.0% of net patient hospital revenue for fiscal 2016 only, and redirects the remaining $2.2 million in general fund savings to other legislative priorities.

Recent History: The MHIP Fund was established to provide premium support for enrollees in MHIP, the State's high-risk pool. The fund is supported by an assessment on hospitals and is paid by all payors. The Budget Reconciliation and Financing Act of 2014 reduced the assessment support to the MHIP Fund from 1.0% to 0.3% of hospital revenue.

With the opening of the Maryland Health Benefit Exchange (MHBE), MHIP is being phased out. As of January 1, 2015, there were no MHIP enrollees. Under current law, in addition to supporting MHIP, the MHIP Fund can be used for reinsurance and premium supports in MHBE. Although no State appropriation for a reinsurance program has yet been made, it is estimated that a reinsurance program could cost $30.0 million to $40.0 million annually.

Location of Provisions in the Bill: Sections 9 (p. 56) and 22 (p. 60)

Analysis prepared by: Simon G. Powell

Medicaid Deficit Assessment

Provisions in the Bill: Delay to fiscal 2017 the requirement that the Governor reduce the budgeted Medicaid Deficit Assessment. Beginning in fiscal 2017, the Governor must annually reduce the assessment by $25,000,000 over the assessment for the prior year.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
			($ in millions)			
SF Rev	$0	$14.5	-	-	-	-
GF Exp	$0	($14.5)	(-)	(-)	(-)	(-)
SF Exp	$0	$14.5	-	-	-	-

State Effect: This provision allows the fiscal 2016 budget to include the full $389,825,000 in special funds from the Medicaid Deficit Assessment and hospital remittance revenue rather than the $375.3 million that was anticipated under current law. As a result, special fund revenues and expenditures increase by $14.5 million and general fund expenditures decrease by $14.5 million. The fiscal 2016 budget restricts the $14.5 million in general fund savings for other legislative priorities. Even though the same pattern is reflected in the out-years above, the future year fiscal impact is indeterminate and depends on the amount of savings that occurs as a result of implementation of Maryland's all-payer model waiver. Replacing the current methodology for paying down the Medicaid Deficit Assessment with a fixed dollar amount potentially limits the extent of special fund revenue loss to the Medicaid program and establishes budget certainty in the out-years. For example, the $14.5 million in general fund Medicaid savings calculated for fiscal 2016 was based on a review of six months of costs. Thus, there is a realistic expectation that savings in fiscal 2017 could be between $30.0 million and $40.0 million.

Recent History: During the recent recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals. The Budget Reconciliation and Financing Act of 2014 required the Health Services Cost Review Commission (HSCRC) to calculate the general fund savings to Medicaid resulting from implementation of the all-payer model contract. Any savings are to be used to reduce the Medicaid Deficit Assessment. Based on data from the first six months of calendar 2014, HSCRC calculated that the all-payer model contract (which, among other things, is designed to limit growth in hospital inpatient and outpatient costs) had lowered Medicaid general fund costs by $14.5 million.

Location of Provisions in the Bill: Section 1 (pp. 43-44)

Analysis prepared by: Simon G. Powell

Housing Counseling and Foreclosure Mediation Fund

Provision in the Bill: Authorizes the Department of Housing and Community Development (DHCD) to use up to $2,400,000 in funds from the Housing Counseling and Foreclosure Mediation Fund for administrative expenses in fiscal 2016.

Agencies: Department of Housing and Community Development; Department of Labor, Licensing, and Regulation (DLLR); Judiciary

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($2.4)	$0	$0	$0	$0
SF Exp	$0	$2.4	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $2.4 million, while special fund expenditures increase correspondingly in fiscal 2016. The fiscal 2016 budget (1) reduces DHCD's general fund appropriation by $2.4 million, contingent on enactment of legislation authorizing use of the fund for operational expenses and (2) authorizes the use of $2.4 million in special funds to support operational expenses.

After the fund swap, the fund is projected to have a total of $8.6 million available in fiscal 2016. However, the fiscal 2016 budget includes appropriations from the fund of $8.4 million for DHCD, $205,507 for the Judiciary, and $65,500 for DLLR. In total, these appropriations are anticipated to exceed available funds by $56,155.

Local Effect: None.

Program Description: Revenue to the fund is generated by servicer foreclosure filing fees and borrower foreclosure mediation request fees. The fund can only be used for foreclosure prevention and mediation programs and housing counseling programs and administrative expenses related to those programs at DHCD, DLLR, the Judiciary, and the Office of Administrative Hearings.

Location of Provision in the Bill: Section 8 (p. 56)

Analysis prepared by: Jason A. Kramer

Watershed Implementation Plan

Provision in the Bill: Authorizes the Transportation Trust Fund (TTF) to be used to fund the Watershed Implementation Plan (WIP) in fiscal 2016 only.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF\GO Exp	$0	($65.0)	$0	$0	$0	$0
SF Exp	$0	$65.0	$0	$0	$0	$0

State Effect: Mandated appropriations for WIP may come from TTF in fiscal 2016 only, rather than solely from the general fund or general obligation (GO) bond expenditures. Thus, general fund/GO bond expenditures decrease by $65.0 million in fiscal 2016. The 2015 through 2020 TTF forecast assumes the $65.0 million fiscal 2016 WIP appropriation will be funded from TTF but does not make the same assumption for the remaining $285.0 million for fiscal 2017 through 2019.

Local Effect: None.

Program Description: WIP was established to comply with requirements of the U.S. Environmental Protection Agency to improve water quality in the Chesapeake Bay. MDOT's fiscal 2015 through 2020 *Consolidated Transportation Program* includes $598.9 million for WIP projects to reduce stormwater runoff from State Highway Administration (SHA) owned roads and coverage areas.

Recent History: Chapter 429 of 2013 required the Governor to provide appropriations in the State operating or capital budget to assist SHA in complying with WIP as follows: $45.0 million in fiscal 2015; $65.0 million in fiscal 2016; $85.0 million in fiscal 2017; and $100.0 million in both fiscal 2018 and 2019. The fiscal 2015 capital budget provided a $45.0 million GO bond authorization.

Location of Provision in the Bill: Section 23 (pp. 60-61)

Analysis prepared by: Steven D. McCulloch

Waterway Improvement Fund

Provisions in the Bill: Authorize (1) the transfer of $2,180,000 from the Waterway Improvement Fund (WIF) to the general fund in fiscal 2015; (2) the Department of Natural Resources (DNR) to use up to $1,625,000 in funds from WIF for administrative expenses for fiscal 2016 only; and (3) WIF funds to be used for dredging ponds, lakes, and reservoirs owned by the State.

Agency: Department of Natural Resources

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

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$2.2	$0	$0	$0	$0	$0
GF Exp	$0	($0.9)	$0	$0	$0	$0
SF Exp	$0	$0.9	$0	$0	$0	$0

State Effect: General fund revenues increase by $2.2 million in fiscal 2015 as a result of the transfer. In fiscal 2016, general fund expenditures decline by $0.9 million due to the ability to use WIF special funds to backfill for general funds; there is a commensurate increase in special fund expenditures. The fiscal 2016 budget reduces DNR's general fund appropriation by a total of $875,000, contingent on enactment of legislation to increase the use of WIF for administration costs in DNR.

Accounting for both the $2.2 million transfer in fiscal 2015, and the $0.9 million used from fund balance to backfill the general fund reduction, the WIF fiscal 2016 closing balance is anticipated to be $2.4 million. In prior years, general obligation (GO) bond funding has been used to replace transferred balance. No funding is provided in the fiscal 2016 capital budget. Future years are not affected.

Consistent with the expansion of the allowed use of WIF for dredging ponds, lakes, and reservoirs owned by the State, the fiscal 2016 budget includes language restricting $250,000 of the fiscal 2016 WIF pay-as-you-go capital appropriation for dredging projects at Deep Creek Lake.

Local Effect: Local governments are eligible for grants from WIF. Less program funding is available for public boating access projects such as marinas, boat ramps, and volunteer fire department water rescue equipment purchases.

Program Description: WIF finances projects to expand and improve public boating access throughout the State. Financial support for the fund is derived from the 5% excise tax on the sale of vessels in the State and 0.5% of the motor vehicle fuel tax.

Recent History: The Budget Reconciliation and Financing Act of 2009 removed a prohibition on the use of WIF revenue for administrative expenses and authorized the use of up to $750,000 in WIF special funds annually for program administration.

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

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

Location of Provisions in the Bill: Sections 1 (pp. 29-31) and 11 (p. 57)

Analysis prepared by: Andrew D. Gray

State Employee Salary Adjustments

Provisions in the Bill: Prohibit merit increases for State employees in fiscal 2016, excluding (1) the salaries of constitutional officers or members of the General Assembly; (2) increases necessary for the retention of faculty in the University System of Maryland, Morgan State University, or St. Mary's College of Maryland; (3) increased payments under specified collective bargaining agreements; and (4) operationally critical staff. Prohibit any State pay plan, with the exception of the Executive Pay Plan, from being amended to provide a rate of compensation lower than the rate provided on January 1, 2015. Specify that any salary or hours lost by a State employee in fiscal 2016 as a result of a mandatory furlough or temporary salary reduction taken on or after July 1, 2015, that reduces the employee's compensation below the rate in effect on January 1, 2015, must be included in the calculation of earnable compensation and service credits for the purpose of determining retirement benefits and member contributions. Require specified reporting regarding the designation of operationally critical staff and any merit increases awarded to such staff.

Agencies: All

Type of Action: Cost control

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($82.4)	($82.4)	($82.4)	($82.4)	($82.4)
SF Exp	$0	($12.9)	($12.9)	($12.9)	($12.9)	($12.9)
FF Exp	$0	($8.4)	($8.4)	($8.4)	($8.4)	($8.4)
HE Exp	$0	($43.7)	($43.7)	($43.7)	($43.7)	($43.7)

State Effect: State expenditures for employee increments decrease by a total of $146.2 million in fiscal 2016, which reflects the elimination of increments and the associated Social Security payments and retirement contributions for Executive Branch employees. The Governor's fiscal 2016 budget does not include funding for increments in Executive Branch agencies for fiscal 2016. Although the Administration is not authorized to reduce the budgets of the Legislature or Judiciary, the budget assumed general fund reversions for increments from the Judiciary, and the Legislature reduced the funding for increments in the Judiciary. Increments were not included in the budget request for the Legislature. With respect to higher education, general funds for increments were reduced; thus, any increases necessary for the retention of faculty must be supported by other revenues available to the institutions. *As introduced*, the Governor's proposed fiscal 2016 budget did not include funding to continue the fiscal 2015 general salary increase. As passed by the General Assembly, the fiscal 2016 budget includes budgetary savings restricted to provide $68.7 million to continue the increase. In May 2015, the Governor announced that these funds will be used to restore salaries.

Local Effect: None.

Recent History: State employees did not receive increments in fiscal 2010 through 2013. In fiscal 2014, employees received increments on April 1, 2014, and in fiscal 2015, employees received regular increments. General salary or cost-of-living increases were not provided in fiscal 2010 through 2012. Employees received a 2% increase on January 1, 2013, and a 3% increase on January 1, 2014. A 2% increase was provided on January 2, 2015. Although the Governor's proposed fiscal 2016 budget removed the increase in fiscal 2016, as discussed above, funding to restore salaries was included in the approved fiscal 2016 budget.

Location of Provisions in the Bill: Section 1 (p. 42) and Section 7 (pp. 54-56)

Analysis prepared by: Patrick S. Frank

Hospital Uncompensated Care Savings

Provision in the Bill: Requires the Health Services Cost Review Commission (HSCRC), from the recognition of additional hospital inpatient and outpatient savings due to a decrease in uncompensated care, to adopt policies that generate general fund Medicaid savings of at least $16,700,000 in fiscal 2016. If the policies fail to achieve the required savings, HSCRC must submit a specified plan for general fund savings to the Department of Health and Mental Hygiene (DHMH) and the Department of Budget and Management (DBM) by September 1, 2015. The plan must provide for total general fund savings of at least $16,700,000 in fiscal 2016.

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

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($16.7)	($16.7)	($16.7)	($16.7)	($16.7)
FF Rev	$0	($20.8)	($20.8)	($20.8)	($20.8)	($20.8)
FF Exp	$0	($20.8)	($20.8)	($20.8)	($20.8)	($20.8)

State Effect: Medicaid general fund expenditures decline by $16.7 million in fiscal 2016 to reflect savings generated by HSCRC. Federal fund revenues and expenditures decline to reflect a reduction in federal matching funds. If HSCRC policies do not reach the required savings, HSCRC must submit a specified plan for review by DHMH and DBM. This analysis assumes recognition of savings continues in future years at the same rate.

Recent History: During the most recent calculation of hospital rates, HSCRC considered recognizing savings from lower levels of uncompensated care resulting from the most recent Medicaid expansion, effective January 1, 2014. HSCRC calculated savings that resulted from individuals formerly enrolled in the Primary Adult Care Program (PAC), a limited Medicaid benefits program, now having full Medicaid benefits. However, former PAC enrollees constitute at most only 38% of the newly eligible adults in Medicaid due to expansion (233,174 as of January 2015). In recent years, budget reconciliation language has directed HSCRC to generate savings to Medicaid through the hospital rate-setting process, such as implementing tiered rates for outpatient services.

Location of Provision in the Bill: Section 1 (p. 44)

Analysis prepared by: Simon G. Powell

Quality Teacher Incentives

Provisions in the Bill: Limit eligibility in fiscal 2016 to educators who are eligible to receive stipends through the Quality Teacher Incentive program as a result of teaching in a school that was identified, in fiscal 2014, as either having comprehensive needs or not having comprehensive needs. Stipends for teachers who only hold an Advanced Professional Certificate (APC) are repealed beginning in fiscal 2017.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($13.4)	($20.2)	($20.6)	($21.0)	($21.5)

State Effect: General fund expenditures decline by $13.4 million in fiscal 2016 due to freezing eligibility for stipends at the fiscal 2014 level. The fiscal 2016 budget reduces MSDE's appropriation by $13.4 million, contingent on enactment of legislation that would limit eligibility for receiving a stipend through the program to educators who were eligible for the stipend in fiscal 2014 and remain teaching in a comprehensive needs school. An additional $100,000 of the MSDE appropriation may not be expended until the department submits a report to the budget committees on the proposed restructuring of fiscal incentive programs for educators. Out-years reflect the termination of the APC program in fiscal 2017 and assume 2% annual inflation. The National Board Certification program continues.

Program Description: Stipends and bonuses for eligible classroom teachers were established in 1999 to attract and retain quality teachers in Maryland public schools. Stipends are provided to teachers achieving National Board Certification (NBC) and teachers holding an APC that teach in comprehensive needs schools. Chapter 487 of 2009 scaled the program back by limiting the number of qualifying teachers, reducing stipends, and eliminating signing bonuses for teachers who graduated with college grade-point averages of 3.5 or better. Under the current program, teachers and other nonadministrative school-based employees in schools identified as having comprehensive needs and who hold an NBC receive a stipend from the State equal to the county grant up to $2,000, while those in noncomprehensive needs schools receive stipends equal to the county grant up to $1,000. In addition, teachers in comprehensive needs schools holding an APC are entitled to $1,500 stipends. APC payments are based on school performance status from the prior year, which is based on assessment data from the second prior year. Classroom teachers who receive the stipend must have taught for the entire school year.

Recent History: The number of teachers receiving funds through the APC program has risen dramatically in recent years, as the number of schools identified as having comprehensive needs under No Child Left Behind increased. Most recently, funding for the stipends increases by $10.6 million in fiscal 2015 and 2016 because the number of comprehensive needs schools increases from 165 for fiscal 2014 eligibility to 497 for fiscal 2015 eligibility. With the transition to a new State curriculum, there has been a misalignment in recent years between what is taught in the classroom and what is tested as part of the State assessments. The assessment data is what drives the school performance rating. This has resulted in an artificial increase in the number of stipend-eligible schools and teachers.

In addition, the current administration of the program appears to be creating a disincentive for achieving improvement in school performance status. As it currently stands, teachers receive stipends for teaching while a school is identified as in need of improvement, not if a school actually improves. If the school improves to the point of losing its comprehensive needs status, the educator loses the stipend. Finally, initial data from the new teacher and principal evaluations indicates that the lowest performing schools continue to have the highest concentrations of ineffective teachers, despite the incentive program being in place for more than a decade.

Location of Provisions in the Bill: Sections 2 (pp. 46-47) and 16 (p. 59)

Analysis prepared by: Rebecca J. Ruff

Providers of Nonpublic Placements

Provision in the Bill: Limits growth in fiscal 2016 rates paid to providers of nonpublic special education placements to no more than the rates in effect on July 1, 2014.

Agency: Maryland State Department of Education

Type of Action: Cost control

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($1.7)	($1.7)	($1.8)	($1.8)	($1.8)

State Effect: Reducing provider rates for nonpublic placements to the fiscal 2015 amount results in approximately $1.7 million in general fund savings in fiscal 2016. This assumes a 1.5% provider rate increase would have been provided in fiscal 2016 absent this provision. Nonpublic placement provider rates were allowed to increase by 1.5% in fiscal 2015; the fiscal 2016 budget and this provision maintain rates at the fiscal 2015 level. The estimated savings increase in the out-years to reflect 2% annual inflation.

Local Effect: The limit on provider rates reduces local costs for nonpublic placements.

Program Description: Most students with disabilities receive special education services in the public schools. However, if an appropriate program is not available in the public schools, a student may be placed in a private school offering more specialized services. The costs for these students, who are placed in nonpublic day or residential facilities, are shared by the local school systems and the State. The school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this are split 70% State/30% local.

Recent History: The Budget Reconciliation and Financing Act of 2009 (Chapter 487) decreased the State share of funding for nonpublic placements from 80% to 70% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1%. Budget reconciliation legislation enacted in 2010 (Chapter 484) and 2011 (Chapter 397) prohibited any increases in the fiscal 2011 and 2012 rates paid to these providers, while budget reconciliation legislation enacted in 2012 (Chapter 1 of the 2012 first special session) limited the rate increase to 1.0% in fiscal 2013. The Budget Reconciliation and Financing Act of 2013 limited the rate increase to 2.5% in fiscal 2014. The Budget Reconciliation and Financing Act of 2014 limited the rate increase in fiscal 2015 to 1.5%, effective July 1, 2014.

Location of Provision in the Bill: Section 5 (p. 54)

Analysis prepared by: Rebecca J. Ruff

Rates for Residential Child Care Group Homes

Provision in the Bill: Specifies that fiscal 2016 rates paid to residential child care providers that have their rates set by the Interagency Rates Committee (IRC) may not increase over the rates in effect on July 1, 2014.

Agencies: Department of Human Resources; Department of Juvenile Services

Type of Action: Cost control

Fiscal Impact:	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	($ in thousands)					
GF Exp	$0	($2,073)	($2,115)	($2,157)	($2,200)	($2,244)
SF Exp	$0	($45)	($46)	($47)	($48)	($49)
FF Exp	$0	($447)	($455)	($465)	($474)	($483)

State Effect: General, special, and federal fund expenditures decline for the Department of Juvenile Services (DJS) and the Department of Human Resources (DHR) in fiscal 2016. This assumes a 1.5% provider rate increase would have been provided in fiscal 2016 absent this provision. Residential child care provider rates were allowed to increase by 1.5% in fiscal 2015; the fiscal 2016 budget and this provision maintain rates at the fiscal 2015 level. The estimated savings increase in the out-years to reflect 2% annual inflation.

DHR's new federal Title IV-E waiver includes an agreement to not reduce funding for foster care services below the level of spending in fiscal 2015. Therefore, savings from reduced provider payments for DHR in fiscal 2016 (estimated at $1.3 million in general funds and $386,582 in federal funds) will likely be reinvested in child welfare services.

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, DHR, DJS, the Maryland State Department of Education, and the Governor's Office for Children.

Recent History: Budget reconciliation legislation in 2009 through 2011 froze rates set by IRC for three consecutive years. Budget reconciliation legislation in 2012, 2013, and 2014 limited rate increases to 1.0%, 2.5%, and 1.5%, respectively. The fiscal 2016 budget includes withdrawn appropriations from fiscal 2015 of $215,000 for DHR and $201,666 for DJS to keep fiscal 2015 rates at the fiscal 2014 level.

Location of Provision in the Bill: Section 6 (p. 54)

Analysis prepared by: Richard H. Harris

Local School Board Structural Deficits

Provision in the Bill: Requires local school systems to report to the State and county governing body if the system has a general fund deficit of any amount at the end of the fiscal year or a structural deficit that requires a transfer of reserve funds to the general fund.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Administrative

State Effect: None. MSDE can handle any additional monitoring and reporting requirements with existing budgeted resources.

Local Effect: Potential increase in expenditures for local school systems with a deficit of less than 1% of general funds or a structural deficit to develop cost containment plans and eliminate the deficit or structural deficit.

Program Description: Chapter 148 of 2004 prohibited local school systems from carrying a deficit, defined as a negative fund balance in the general fund of 1% or more of general fund revenues, as reported in their annual financial audits. If a school system has a deficit, the Governor, General Assembly, Department of Legislative Services, and county governing body must be notified immediately and the school system must develop and submit a corrective action cost containment plan to the State Superintendent within 15 days, file monthly status reports, and include other information in its annual audit reports until the deficit is eliminated. This provision removes the 1% cushion before a school system is considered to have a deficit and adds a structural deficit, defined as a projected negative fund balance in the general fund that requires the transfer of reserve funds, to the existing monitoring and reporting requirements for local school systems.

Location of Provision in the Bill: Section 1 (pp. 11-13)

Analysis prepared by: Rachel H. Hise

Baltimore City School Revitalization Program

Provision in the Bill: Repeals, for fiscal 2016 only, the requirement that the Baltimore City Public Schools (BCPS) contribute funds to the Baltimore City Public School Construction Financing Fund. The Comptroller may not withhold an amount from any installment due to BCPS from the general fund.

Agency: Maryland Stadium Authority; Office of the Comptroller

Type of Action: Administrative

State Effect: None. In fiscal 2016, all three partners in the Baltimore City School Revitalization Program are scheduled to contribute funding: $20.0 million from the State of Maryland (through lottery proceeds), $18.0 million from Baltimore City, and $10.0 million from BCPS. BCPS' total contribution in fiscal 2016 is actually $20.0 million, which includes $10.0 million of the total $18.0 million required from Baltimore City. Based on the timing of the first bond issuance by the Maryland Stadium Authority (MSA), only a partial debt service payment of $8.5 million is expected in fiscal 2016. As sufficient funds are available from other sources, this provision relieves BCPS of its fiscal 2016 contribution.

Local Effect: This provision results in $20.0 million in savings for BCPS in fiscal 2016.

Program Description: Chapter 647 of 2013 established a new partnership among the State, Baltimore City, and BCPS to fund up to $1.1 billion in public school facility improvements through revenue bonds issued by MSA. Chapter 647 requires MSA, the Interagency Committee on School Construction, Baltimore City, and BCPS to enter into a memorandum of understanding to set out the roles and responsibilities of each party to implement the construction plan.

The revenue sources for the project and for the debt service on the revenue bonds include (1) revenues generated by the Baltimore City beverage container tax; (2) the city's proceeds from table games at the video lottery facility located in Baltimore City that are dedicated to school construction and 10% of the participation rent paid by the facility operator to Baltimore City; (3) $10.0 million in State education aid due to BCPS from recurring retiree health care costs shifted from Baltimore City to BCPS; (4) $20.0 million in annual proceeds from the State lottery; and (5) $10.0 million diverted from State education aid to BCPS in fiscal 2016 and $20.0 million in each fiscal year thereafter.

Location of Provision in the Bill: Section 17 (p. 59)

Analysis prepared by: Jody J. Sprinkle

Maryland State Department of Education Planned Reversions

Provisions in the Bill: Reduce fiscal 2015 unexpended appropriations by a total of $3,700,000 (including $2,800,000 for the Autism Waiver and $900,000 for Out-of-County Placements) for the Maryland State Department of Education and require the funds to revert to the general fund.

Agency: Maryland State Department of Education

Type of Action: Cost control

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	($3.7)	$0	$0	$0	$0	$0

State Effect: General fund expenditures decline by $3.7 million in fiscal 2015. The provisions ensure these reversions are included in the general fund balance in fiscal 2015.

Location of Provisions in the Bill: Sections 18 and 19 (p. 60)

Analysis prepared by: Rebecca J. Ruff

Implementation of *DeWolfe v. Richmond*

Provision in the Bill: Specifies that, in implementing the holding of the Court of Appeals in *DeWolfe v. Richmond*, 434 Md. 403 (2012) and 434 Md. 444 (2013), in fiscal 2016, the costs of compensating attorneys to provide legal representation at initial appearances before a District Court Commissioner plus the associated costs to administer the program that is beyond the amount restricted for that purpose in the State budget must be billed to the county in which the representation is provided. Authorization of State funds in fiscal 2016 for this purpose 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 enacted.

Agency: Judiciary

Type of Action: Cost control

State Effect: Potential decrease in general fund expenditures in fiscal 2016 to the extent that the cost to compensate attorneys appointed to implement the holding in *DeWolfe v. Richmond* exceeds $10.0 million and is covered by the counties.

Local Effect: Potential significant increase in local expenditures for attorney compensation in fiscal 2016, depending on the extent to which these costs exceed $10.0 million statewide. It is assumed that, should statewide expenditures for legal representation at initial appearances before District Court commissioners exceed $10.0 million in fiscal 2016, the provision will have a greater fiscal impact on those jurisdictions with higher initial appearance caseloads. If the costs for providing legal representation at initial appearances extend beyond the county's prorated share of the $10.0 million appropriation, the county would be responsible for the cost of representations.

Program Description: In the fiscal 2015 Judiciary budget, $10.0 million in funds was restricted to provide legal representation for indigent defendants at initial appearances before District Court commissioners. The Budget Reconciliation and Financing Act of 2014 required that, in fiscal 2015, the cost of compensating attorneys beyond the amount restricted for that purpose in the budget would be billed by the appointing authority to the county in which the representation was provided. Currently, expenditures for fiscal 2015 project that the program will be below the total appropriated amount. The fiscal 2016 Judiciary budget includes $10.0 million to continue to provide legal representation at initial appearances in accordance with *Richmond*.

Location of Provision in the Bill: Section 20 (p. 60)

Analysis prepared by: Amy A. Devadas

Exelon Corporation and PHI Holdings, Inc. Merger Approval Conditions

Provision in the Bill: Requires that any money received by the State as a result of conditions of an approved merger between Exelon Corporation (Exelon) and Pepco Holdings, Inc. (PHI) be expended only as specifically authorized in the State budget bill as enacted and not subject to transfer by budget amendment.

Agency: Public Service Commission (PSC)

Type of Action: Administrative

State Effect: The provision does not impact State spending but requires any funds as a result of the conditions of an approved merger to be appropriated through the State budget (rather than, potentially, by budget amendment) to provide the General Assembly the opportunity to review and approve the use of funds.

Local Effect: None.

Program Description: On April 30, 2014, Exelon and PHI announced a merger agreement under which Exelon would acquire PHI for approximately $6.8 billion. PHI would become a wholly owned subsidiary of Exelon. Pepco would maintain headquarters in Washington, DC, and Delmarva Power & Light (DPL) would maintain regional headquarters in Newark, Delaware. On August 19, 2014, Exelon, PHI, Pepco, and DPL filed a joint application with PSC requesting authorization for Exelon to acquire the power to exercise substantial influence over the policies and actions of Pepco and DPL. Exelon has made a number of commitments in this review, including to provide a Customer Investment Fund (CIF). PSC is expected to make its determination in the review in May 2015; thus, the exact nature of funds potentially available to the State are unknown, and it is not known if the merger will be approved.

The Budget Reconciliation and Financing Act of 2012 required that any money received by the State as a result of conditions of an approved merger between Exelon and Constellation Energy Group (CEG) be expended only as authorized by the General Assembly or in the State budget bill as enacted. Funds were not subject to transfer by budget amendment, although an exception was made for fiscal 2013. The Exelon and CEG merger included multiple conditions that led to funds being provided to the State, including $113.5 million for CIF and a $20.0 million offshore wind development fund.

Location of Provision in the Bill: Section 21 (p. 60)

Analysis prepared by: Tonya D. Zimmerman

Wynne Case – Credit for Income Taxes Paid to Other States

Provisions in the Bill: Require the Attorney General to review the decision of the U.S. Supreme Court in the appeal of *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013) and advise the Comptroller and the Department of Legislative Services whether the decision invalidates the practice of allowing, for State tax on income paid to another state, a credit only against the State income tax. If the Attorney General finds that the decision invalidates the practice, a credit against the county income tax for out-of-state income taxes paid to another state is established, applicable to all taxable years beginning after December 31, 2014. The Attorney General must also advise the Comptroller whether the decision requires the payment of income tax refunds and interest attributable to tax years 2006 through 2014. If so, the Comptroller must (1) pay certain interest and refunds from the Local Income Tax Reserve Account and (2) if a local government does not reimburse the account in a timely manner, withhold the affected local government's quarterly income tax distributions in nine equal installments beginning in the first quarter of fiscal 2017, until the amount is fully reimbursed by the local government for its share of related refunds and interest.

Agencies: Attorney General's Office, Comptroller's Office

Type of Action: Administrative

State Effect: None.

Local Effect: The Comptroller's Office estimates that local government income tax revenues will decrease by about $43.0 million annually beginning in fiscal 2016, in addition to an estimated $201.6 million in potential refunds and interest for prior tax years dating back to tax year 2006. The largest annual impact will be in Montgomery County at $24.2 million annually (just over 56% of the total), followed by Baltimore County ($4.5 million, or 10% of the total). As a percentage of local income tax revenues, the largest impact will be in Cecil County (2.8% of collections), followed by Worcester County (2.4%).

Recent History: In *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013), 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. The State appealed the decision to the U.S. Supreme Court, which affirmed the judgment of the Maryland Court of Appeals on May 18, 2015.

The provisions establish procedures for calculating a credit against the county income tax for out-of-state income taxes paid to another state beginning in tax year 2015 and specify that the credit is contingent on the Attorney General determining that the court decision has invalidated the practice of allowing the credit against the State income tax only. If determined by the Attorney General, the Comptroller must also pay certain interest and refunds attributable to the case.

On May 29, 2015, the Attorney General completed review of the *Wynne* case and advised that the decision does trigger Section 4 of the bill, which establishes a credit against the county income tax for out-of-state income taxes paid to another state beginning with tax year 2015. The Attorney General also determined that the decision does require payment of income tax refunds and interest to eligible taxpayers on properly filed refund claims; however, the right to such payments is contingent upon and subject to compliance with all other applicable provisions of Maryland law.

Location of Provisions in the Bill: Sections 4 (pp. 53-54), 26 (pp. 61-62), and 27 (p. 62)

Analysis prepared by: Robert J. Rehrmann

Controlled Dangerous Substances Registrations

Provision in the Bill: Authorizes the Department of Health and Mental Hygiene (DHMH) to renew controlled dangerous substances (CDS) registrations on a triennial rather than a biennial basis.

Agency: Department of Health and Mental Hygiene

Types of Action: Administrative

State Effect: None. Any impact on general fund revenues from an altered renewal period for CDS registrations is expected to be minimal (assuming the fee is increased accordingly by regulation to maintain the current annualized fee revenue). Renewals are processed on a rolling basis; thus, the impact is not expected to be significant in any one year. Any efficiencies are assumed to result in staff being redirected to other responsibilities within the department.

Local Effect: None.

Program Description: A person must obtain and maintain a CDS registration before the person (1) manufactures, distributes, or dispenses CDS; (2) conducts research or instructional activities with Schedule II through V CDS; (3) conducts research or instructional activities with a Schedule I CDS; or (4) conducts a chemical analysis with any CDS.

A CDS registration expires on the date set by DHMH unless it is renewed for an additional term. A registration may not be renewed for more than two years under current law. The current initial and renewal registration fee is $120 (equating to $60 per year). There are currently 40,048 active CDS registrations.

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

Analysis prepared by: Jennifer B. Chasse

Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund

Provision in the Bill: Authorizes, in fiscal 2015 and 2016 only, funds from the Maryland Oil Disaster Containment, Clean-Up, and Contingency Fund (Oil Fund) to be used to pay costs associated with the purposes of the Oil Contaminated Site Environmental Cleanup Fund (Reimbursement Fund).

Agency: Maryland Department of the Environment (MDE)

Types of Action: Administrative

State Effect: MDE notes that it has received 196 applications for reimbursement since July 1, 2014, and only has funding for 90 applications. Special fund expenditures for residential reimbursements of oil spill clean-up costs increase as a result of authorizing the Oil Fund to be used to pay for Reimbursement Fund costs. The Oil Fund was budgeted to close fiscal 2016 with a fund balance of $0.7 million absent this provision.

Local Effect: None.

Program Description: The Oil Fund was established in 1986 to provide funding to MDE's oil pollution prevention programs. Funds may be used to respond to, contain, clean-up, and remove oil discharges from land and water; restore natural resources damaged by discharges; and for oil-related activities in water pollution control programs. Revenues accrue to the fund from a fee imposed on each barrel of oil transferred into the State. Chapter 325 of 2014 modified the fee to be 7.75 cents per barrel until July 1, 2017, at which time the fee is 5.0 cents per barrel. Costs incurred by the State from the Oil Fund must be reimbursed by responsible parties; reimbursements are also deposited into the fund. The budgeted fiscal 2016 beginning fund balance of the Oil Fund is $1.6 million and is estimated to close at $0.7 million without the implementation of this provision.

The Reimbursement Fund was established in 1993 to reimburse underground storage tank owners for costs incurred during site cleanups and to provide funds for site rehabilitation activities carried out under the direction of MDE. To the extent provided in the State budget, up to 8% of revenues in the fund may be used for MDE administration, while 25% of revenues must be used for reimbursement of heating oil tank site rehabilitation costs. Eligible owners and operators are authorized to apply for reimbursement for costs incurred in performing site rehabilitation until June 30, 2017. Chapter 325 of 2014 modified the fee to be 0.25 cents per barrel until July 1, 2017, at which time no further funding is provided.

Recent History: The Budget Reconciliation and Financing Act of 2013 authorized the transfer of $3.5 million from the Reimbursement Fund to the Oil Fund in fiscal 2013.

Location of Provision in the Bill: Section 1 (pp. 27-28)

Analysis prepared by: Andrew D. Gray

Developmental Disabilities Provider Rates

Provisions in the Bill: Alter the accountability provisions related to community providers and direct employee wages so that the provisions apply only in a fiscal year in which providers receive a rate increase of at least 3.0% in fiscal 2016 through 2019, and require community providers to spend at least the same percentage of specified expenses on direct employee wages and benefits as in the last fiscal year that the rate increase was less than 3.0%.

Agency: Department of Health and Mental Hygiene (DHMH)

Types of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description/Recent History: Chapter 648 of 2014, along with requiring the Developmental Disabilities Administration (DDA) to conduct an independent study to set provider rates for community-based services, established certain requirements with respect to wages paid by providers to direct support employees. DDA community providers are required to submit wage surveys. DHMH must then report to the General Assembly summarizing the range of total funding spent by providers on direct support employee wages and benefits as a percentage of total operating expenses for fiscal 2014. Beginning in fiscal 2015 (and before the earlier of either the implementation of a new DDA payment system or the end of fiscal 2019), the percentage of a community provider's total reported operating expenses spent on direct support wages and benefits for a fiscal year may not be less than the percentage that was spent in fiscal 2014. If DHMH determines that this requirement is not met (and does not find mitigating circumstances or accept a plan of correction), DHMH must recoup funds from a community provider that have not been expended as required.

These accountability provisions were contingent on passage of the Maryland Minimum Wage Act of 2014 (Chapter 262 of 2014), and intended to ensure that the relatively high annual provider rate increases established by Chapter 262 were used to fund wage increases for direct support workers. However, cost containment actions halved provider rate increases in fiscal 2015 and reduced them from 3.5% to 3.0% in fiscal 2016.

Location of Provisions in the Bill: Section 1 (pp. 28-29)

Analysis prepared by: Jennifer A. Ellick

Maryland Transportation Authority – Fiscal Requirements

Provisions in the Bill: Prohibit the Maryland Transportation Authority (MDTA), in fiscal 2016 through 2020, from spending less than $275,000,000 per year for operating expenses, exclusive of debt service payments or less than $275,000,000 per year for capital expenses. Require MDTA to maintain at least $350,000,000 per year in unrestricted cash balances and a minimum annual debt service coverage level of 250% of debt service. Prohibit MDTA from supplementing revenues credited to the Transportation Authority Fund (TAF) with any funds from the Transportation Trust Fund (TTF) or any other source. Reduce the maximum amount of MDTA outstanding debt in fiscal 2015 through 2020 to $2,325,000,000.

Agency: Maryland Department of Transportation

Type of Action: Other

State Effect: None

Program Description/Recent History: MDTA's January 2015 financial forecast estimated operating expenses of $285.1 million (exclusive of debt service payments) and capital expenses of $333.4 million. By the end of fiscal 2015, MDTA's unrestricted cash balance is estimated to be $517.1 million, with a debt service coverage level of 399% of debt service.

TAF funds are nonbudgeted funds and can only be used for MDTA purposes. TTF funds are restricted to be used only for transportation purposes in the State. The estimated fiscal 2015 closing TTF balance is $100.0 million.

Location of Provisions in the Bill: Section 1 (p. 40) and Section 25 (p. 61)

Analysis prepared by: Jason A. Kramer

Required Analysis of Impact on Transportation Trust Fund

Provision in the Bill: Requires the Governor, when submitting for introduction any bill or amendment that would (1) reduce any tax or fee that otherwise would be credited to the Transportation Trust Fund (TTF) or (2) increase transportation aid to local governments by using funds from TTF, to provide the General Assembly with a detailed analysis of the effect the proposed bill or amendment will have on TTF and the funding of projects specified in the *Consolidated Transportation Program*, including an analysis of whether the reduction of available funds will result in the elimination of any project or the alteration of the scope, design, or scheduling of any project.

Agency: Maryland Department of Transportation

Type of Action: Other

State Effect: None

Program Description/Recent History: Established by Chapter 526 of 1970, TTF is credited with taxes, fees, charges, bond proceeds, federal grants for transportation purposes, and other receipts of the Maryland Department of Transportation (MDOT). All MDOT expenditures are made from TTF. MDOT may use TTF funds for any lawful purpose related to the exercise of its powers, duties, and obligations, after meeting its debt service requirements. For fiscal 2016, TTF revenues are estimated at $3.9 billion. State transportation aid to locals in fiscal 2016 is $194.0 million.

Location of Provision in the Bill: Section 1 (pp. 39-40)

Analysis prepared by: Steven D. McCulloch

Maryland Aviation Administration Fire Rescue Service

Provision in the Bill: Authorizes, rather than requires, the Maryland Aviation Administration (MAA) Fire Rescue Service to charge an ambulance transport fee. Clarifies that before the Fire Rescue Service may charge such a fee, MAA must adopt regulations that set the amount of the fee.

Agency: Maryland Department of Transportation

Type of Action: Administrative

State Effect: None

Program Description/Recent History: The Budget Reconciliation and Financing Act of 2012 required MAA to levy a fee on ambulance transports conducted by the Baltimore/Washington International Thurgood Marshall Airport (BWI) Fire and Rescue Service (FRS). Most BWI FRS ambulance transports come from outside MAA property and the fee was intended as a cost recovery mechanism for service provided to the surrounding area. However, due to concerns about the cost of implementation, including an estimated two full-time positions, MAA never charged a transport fee.

Location of Provision in the Bill: Section 1 (pp. 40-41)

Analysis prepared by: Jason A. Kramer

Maryland Transportation Authority – All-electronic Tolling

Provision in the Bill: Expands the requirements of an all-electronic tolling (AET) study required to be completed by the Maryland Transportation Authority (MDTA) to include the impact of AET on vehicles with three or more axles and an analysis of (1) procurement methods used in other states to select the best AET system and (2) the economic benefits of ensuring a highly competitive procurement method.

Agency: Maryland Department of Transportation

Type of Action: Other

State Effect: None.

Program Description/Recent History: Chapter 397 of 2014 requires MDTA to conduct a study of AET that includes an analysis of (1) AET in other states; (2) electronic toll collection interoperability; (3) alternative payment methods and specified toll rates; (4) issues and factors that must be addressed before AET becomes effective at specified facilities; (5) revisions to MDTA's initial AET proposal; and (6) proposed legislation, if required, relating to the implementation of AET. MDTA must submit the required report to designated legislative committees and local elected officials by January 1, 2016.

Location of Provision in the Bill: Section 1 (p. 44-46)

Analysis prepared by: Jason A. Kramer

Special Fund for Preservation of Cultural Arts in Maryland

Provision in the Bill: Authorizes the transfer of $2,000,000 from the Special Fund for Preservation of Cultural Arts in Maryland in fiscal 2016 to provide the following grants: (1) $50,000 to the Board of Trustees of Sotterley Plantation Museum; (2) $125,000 to the Maryland Historical Society; (3) $175,000 to the Maryland Humanities Council; (4) $790,042 to the Maryland State Arts Council; (5) $467,000 to the Maryland Academy of Sciences; (6) $25,000 to the Doleman Black Heritage Museum; (7) $200,000 to Center Stage Associates, Inc.; (8) $68,080 to Arts Every Day; (9) $25,000 to Arena Players, Inc.; (10) $24,878 to the Prince George's African American Museum and Cultural Center at North Brentwood, Inc.; and (11) $50,000 to the Young Audiences of Maryland.

Agency: Department of Business and Economic Development (DBED)

Type of Action: Other

State Effect: None. The provisions allow $2.0 million in special funds to be used for grants to specified organizations in fiscal 2016. 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 DBED 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 purpose.

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 required the balance of the special fund to be transferred to the general fund in fiscal 2013. The Budget Reconciliation and Financing Act of 2014 authorized, for fiscal 2014 and 2015 only, the transfer of up to $2,500,000 from the special fund to DBED to use as grants to supplement tax credits awarded under the film production activity tax credit program. The Budget Reconciliation and Financing Act of 2014 also authorized the transfer of $1,250,000 from the special fund in fiscal 2015 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.

Location of Provision in the Bill: Section 28 (p. 62)

Analysis prepared by: Jennifer B. Chasse

Authorization of Transfer from the Rainy Day Fund to the General Fund

Provision in the Bill: Authorizes the Governor, in fiscal 2017 and 2018, to transfer funds from the Revenue Stabilization Account (Rainy Day Fund) to the general fund only if the transfer is authorized by an act of the General Assembly *other than* the State budget bill.

Agency: None.

Type of Action: Other

State Effect: None.

Program Description: Under § 7-311 of the State Finance and Procurement Article, if a transfer will not reduce the balance of the Rainy Day Fund below 5% of estimated general fund revenues, the Governor may transfer funds to the general fund if authorized by an act of the General Assembly *or* specifically authorized in the State budget bill. If a transfer will result in a balance below 5% of estimated general fund revenues, the Governor may transfer funds only if the transfer is authorized by an act of the General Assembly *other than* the State budget bill. Thus, under the provision, *any* proposed transfer from the Rainy Day Fund in fiscal 2017 or 2018 will require separate legislation instead of the budget bill. This is currently required only for transfers that would result in the balance falling below 5% of estimated general fund revenues.

Recent History: The fiscal 2016 budget transfers $34.0 million from the Rainy Day Fund to the general fund in fiscal 2016, leaving an estimated fiscal 2016 closing balance of $814.1 million, or 5% of fiscal 2016 general fund revenues.

Location of Provision in the Bill: Section 29 (p. 63)

Analysis prepared by: Jennifer B. Chasse

Appendix B
(in Dollars)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GENERAL FUND REVENUES						
Local Income Tax Reserve Account	100,000,000	0	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Transfer Tax-funded Programs	10,500,000	37,712,700	0	0	0	0
Managed Care Organization Medical Loss Ratio Clawback	10,000,000	(10,000,000)	0	0	0	0
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	0	8,639,632	0	0	0	0
Strategic Energy Investment Fund	6,000,000	0	0	0	0	0
Health Occupations Boards	5,900,000	0	0	0	0	0
Baltimore City Community College	4,000,000	0	0	0	0	0
State Self-insured Unemployment Insurance Reserve Account	4,000,000	4,000,000	0	0	0	0
Jane E. Lawton Conservation Fund	3,000,000	0	0	0	0	0
Mortgage Lender-Originator Fund	3,000,000	0	0	0	0	0
Waterway Improvement Fund	2,180,000	0	0	0	0	0
Health Personnel Shortage Incentive Grant Program	1,700,000	0	0	0	0	0
Bay Restoration Fund	1,375,000	0	0	0	0	0
Sunny Day Fund Repayment	828,500	1,842,750	0	0	0	0
Spinal Cord Injury Research Trust Fund	500,000	500,000	0	0	0	0
State Police Helicopter Replacement Fund	269,741	9,646	4,822	2,408	1,208	600
Earned Income Tax Credit Eligibility	0	3,798,000	3,946,000	3,893,999	4,020,000	4,070,000
Sustainable Communities Tax Credit Reserve Fund	58,000	0	0	0	0	0
TOTAL GENERAL FUND REVENUES	**153,311,241**	**46,502,728**	**(6,049,178)**	**(6,103,593)**	**(5,978,792)**	**(5,929,400)**

GENERAL FUND EXPENDITURES

Mandate Relief						
State Retirement and Pension System Funding	0	(63,000,000)	(107,740,000)	(154,660,000)	(199,940,000)	(175,020,000)
Net Taxable Income Adjustment Grants	0	(11,910,705)	(12,100,765)	(12,244,218)	0	0
Senator John A. Cade Funding Formula for Local Community College Aid	0	(9,045,515)	0	0	0	0
Joseph A. Sellinger Program for Independent Colleges and Universities	0	(5,061,675)	0	0	0	0
County-State Minimum Library Program	0	(1,793,462)	(3,682,683)	(3,790,324)	(4,145,085)	(3,485,637)
Library Regional Resource Centers	0	(526,083)	(1,056,860)	(1,109,703)	(1,163,041)	(973,501)
State Library Resource Center	0	0	(238,968)	(481,604)	(727,959)	(611,313)
MD Agricultural and Resource-Based Industry Development Corp.	0	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)
Transfer Tax-funded Programs	0	(50,000,000)	-	-	-	-
State Aid for Police Protection	0	(3,720,710)	0	0	0	0
Cybersecurity Investment Incentive Tax Credit	0	(500,000)	0	0	0	0
Subtotal -- Mandate Relief	***0***	***(146,683,150)***	***(125,944,276)***	***(173,410,849)***	***(207,101,085)***	***(181,215,451)***
Fund Swaps and Cost Shifts						
Maryland Health Insurance Plan Fund	(47,000,000)	(3,200,000)	0	0	0	0
Medicaid Deficit Assessment	0	(14,500,000)	(-)	(-)	(-)	(-)
Housing Counseling and Foreclosure Mediation Fund	0	(2,400,000)	0	0	0	0
Waterway Improvement Fund	0	(875,000)	0	0	0	0
Subtotal -- Fund Swaps and Cost Shifts	***(47,000,000)***	***(20,975,000)***	***0***	***0***	***0***	***0***

Cost Control and Administrative Measures						
State Employee Salary Adjustments	0	(82,360,290)	(82,360,290)	(82,360,290)	(82,360,290)	(82,360,290)
Hospital Uncompensated Care Savings	0	(16,700,000)	(16,700,000)	(16,700,000)	(16,700,000)	(16,700,000)
Quality Teacher Incentives	0	(13,400,000)	(20,200,000)	(20,604,000)	(21,016,080)	(21,436,402)
Providers of Nonpublic Placements	0	(1,707,480)	(1,741,630)	(1,776,462)	(1,811,991)	(1,848,231)
Rates for Residential Child Care Group Homes	0	(2,073,148)	(2,114,611)	(2,156,903)	(2,200,041)	(2,244,042)
Maryland State Department of Education Planned Reversions	(3,700,000)	0	0	0	0	0
Subtotal -- Cost Control and Administrative Measures	***(3,700,000)***	***(116,240,918)***	***(123,116,531)***	***(123,597,655)***	***(124,088,402)***	***(124,588,965)***
TOTAL GENERAL FUND EXPENDITURES	**(50,700,000)**	**(283,899,068)**	**(249,060,807)**	**(297,008,504)**	**(331,189,487)**	**(305,804,416)**
SPECIAL FUND REVENUES						
Maryland Health Insurance Plan Fund		(39,400,000)	0	0	0	0
Medicaid Deficit Assessment	0	14,500,000	-	-	-	-
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	0	(8,639,632)	0	0	0	0
Sunny Day Fund Repayment	(828,500)	(1,842,750)	0	0	0	0
TOTAL SPECIAL FUND REVENUES	**(828,500)**	**(35,382,382)**	**0**	**0**	**0**	**0**

SPECIAL FUND EXPENDITURES

State Retirement and Pension System Funding	0	(6,000,000)	(10,260,000)	(14,730,000)	(19,040,000)	(16,670,000)
State Employee Salary Adjustments	0	(12,914,334)	(12,914,334)	(12,914,334)	(12,914,334)	(12,914,334)
Maryland Health Insurance Plan Fund	55,000,000	0	0	0	0	0
Medicaid Deficit Assessment	0	14,500,000	-	-	-	-
Rates for Residential Child Care Group Homes	0	(44,916)	(45,814)	(46,731)	(47,665)	(48,619)
Transfer Tax-funded Programs	0	(37,712,700)	32,466,001	0	0	0
Maryland Park Service - Payment in Lieu of Taxes	(1,740,000)	0	0	0	0	0
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	0	(8,639,362)	0	0	0	0
Watershed Implementation Plan	0	65,000,000	0	0	0	0
Waterway Improvement Fund	0	875,000	0	0	0	0
Housing Counseling and Foreclosure Mediation Fund	0	2,400,000	0	0	0	0
TOTAL SPECIAL FUND EXPENDITURES	**53,260,000**	**17,463,688**	**9,245,853**	**(27,691,065)**	**(32,001,999)**	**(29,632,953)**

FEDERAL FUND REVENUES

Hospital Uncompensated Care Savings	0	(20,800,000)	(20,800,000)	(20,800,000)	(20,800,000)	(20,800,000)
Managed Care Organization Medical Loss Ratio Clawback	10,000,000	(10,000,000)	0	0	0	0
Maryland Health Insurance Plan Fund	0	(4,700,000)	0	0	0	0
TOTAL FEDERAL FUND REVENUES	**10,000,000**	**(35,500,000)**	**(20,800,000)**	**(20,800,000)**	**(20,800,000)**	**(20,800,000)**

FEDERAL FUND EXPENDITURES

State Retirement and Pensions System Funding	0	(6,000,000)	(10,260,000)	(14,730,000)	(19,040,000)	(16,670,000)
Hospital Uncompensated Care Savings	0	(20,800,000)	(20,800,000)	(20,800,000)	(20,800,000)	(20,800,000)
State Employee Salary Adjustments	0	(8,386,038)	(8,386,038)	(8,386,038)	(8,386,038)	(8,386,038)
Maryland Health Insurance Plan Fund	0	(4,700,000)	0	0	0	0
Rates for Residential Child Care Group Homes	0	(446,506)	(455,436)	(464,545)	(473,836)	(483,312)
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(40,332,544)**	**(39,901,474)**	**(44,380,583)**	**(48,699,874)**	**(46,339,350)**

OTHER FUNDS EXPENDITURES

Watershed Implementation Plan (GF/GO Bond)	0	(65,000,000)	0	0	0	0
State Employee Salary Adjustments (HE)	0	(43,699,000)	(43,699,000)	(43,699,000)	(43,699,000)	(43,699,000)
TOTAL OTHER FUNDS EXPENDITURES	**0**	**(108,699,000)**	**(43,699,000)**	**(43,699,000)**	**(43,699,000)**	**(43,699,000)**

Appendix C
Reductions in Local Revenues and Direct State Aid Under Selected Provisions of HB 72 of 2015
Fiscal 2016
($ in dollars)

	Net Taxable Income Adjustment Grants	Quality Teacher Incentives	Cade Formula	Program Open Space Local	State Aid for Police Protection	Library Formulas	Total
Allegany	($373,866)		($76,820)	($141,913)	($45,438)	($38,291)	($676,328)
Anne Arundel	(606,592)		(606,989)	(1,510,311)	($363,673)	(106,240)	(3,193,806)
Baltimore City	(226,942)			(1,354,370)		(310,370)	(1,891,682)
Baltimore			(1,714,577)	(1,708,529)	(664,178)	(280,339)	(4,367,623)
Calvert	(278,695)		(122,913)	(149,666)	(40,928)	(20,482)	(612,684)
Caroline	(191,019)		(49,646)	(66,442)	(18,115)	(14,144)	(339,366)
Carroll	(509,280)		(263,081)	(339,187)	(83,262)	(46,715)	(1,241,524)
Cecil	(513,863)		(167,835)	(174,855)	(53,263)	(37,451)	(947,267)
Charles	(909,071)		(420,775)	(307,740)	(69,427)	(48,794)	(1,755,807)
Dorchester	(134,540)		(37,000)	(56,697)	(20,175)	(13,359)	(261,772)
Frederick	(398,689)		(325,984)	(350,811)	(124,971)	(68,473)	(1,268,929)
Garrett	(103,594)		(99,648)	(69,869)	(11,910)	(6,909)	(291,929)
Harford	(755,822)		(507,629)	(502,540)	(148,126)	(74,737)	(1,988,853)
Howard	(142,431)		(820,191)	(890,916)	(192,729)	(44,469)	(2,090,736)
Kent			(17,999)	(42,267)	(10,722)	(4,118)	(75,106)
Montgomery			(1,961,630)	(2,243,993)	(831,627)	(148,435)	(5,185,685)
Prince George's	(5,020,845)		(1,211,774)	(1,930,773)	(764,128)	(353,244)	(9,280,764)
Queen Anne's	(97,887)		(55,401)	(90,303)	(22,397)	(7,096)	(273,084)
St. Mary's	(394,989)		(133,983)	(170,205)	(48,727)	(32,023)	(779,927)
Somerset	(105,543)		(8,018)	(40,869)	(12,938)	(14,108)	(181,475)
Talbot			(52,559)	(94,708)	(22,267)	(5,538)	(175,073)
Washington	(675,004)		(311,751)	(267,238)	(76,920)	(61,191)	(1,392,105)
Wicomico	(472,033)		(55,863)	(178,526)	(58,975)	(49,399)	(814,797)
Worcester			(23,448)	(168,501)	(35,815)	(7,537)	(235,301)
Unallocated		(13,400,000)				(526,083)	(13,926,083)
Total	**($11,910,705)**	**(13,400,000)**	**($9,045,515)**	**($12,851,229)**	**($3,720,710)**	**($2,319,545)**	**($53,247,704)**

Note: The reduction to Program Open Space Local in fiscal 2015 can be found on p. 46.

Budget Reconciliation and Financing Act of 2015
Small Business Impact

Provision	Small Business Impact
Repealing language requiring the publication of list of Abandoned Property and substituting a requirement that the list be posted online	None
Reducing the mandated appropriation for MARBIDCO for FY 16 through FY 24 and extending the date by which the Corporation has to be self-sufficient by 3 years (2024)	This would reduce the amount of money available in FY 16 through FY 21 for assistance to small businesses in rural areas and provides funding not previously allocated for fiscal years 2022 through 2024
Altering the per-pupil deflator and tying the increase to inflation and delaying the phase-in of the NTI Program funding for one year	None
Altering the funding for Community Colleges (Cade formula) for FY 16 and providing funding for FY 17 and for subsequent years increasing by the lessor statutorily required funding or general fund revenue growth, less 1%.	None
Altering the funding for private institutions of higher education (Sellinger formula)) for FY 16 and providing funding for FY 17 and for subsequent years increasing by the lessor statutorily required funding or general fund revenue growth, less 1%.	None
Altering funding for the State Library Resource center, regional resource centers, the Maryland Library for the Blind and Physically Handicapped, and county public library systems (phases in the library increases mandated by Chapter 500 of 2014 over 10 years)	None
Level funding Local Health funding for FY 16	None
Altering the rate increase for Community Service Providers	To the extent that these Community Service Providers are small business, payments would be decreased
Reducing funding for Statewide Academic Health Center Cancer Research Grants beginning FY 16	None

Provision	Small Business Impact
Repealing the mandated appropriation for the Maryland Health Benefit Exchange beginning FY 16	None
Altering the mandate for the Local Govt. Disparity Grant and freezing the grant at FY 16 levels	None
Providing that payments to the Forest or Park Reserve fund are based only on revenue derived from the sales of timber	None
Authorizing the use of funds in the Waterway Improvement Fund for administrative expenses relating to implementing the Fund	This provision may reduce the amount of funds available to small businesses that perform waterway improvement projects
Repealing the State Police Helicopter Replacement Fund	None
Altering the mandate for Local Police Aid Grants for FY 15 and FY 16	None
Repealing the requirement to allocate moneys to Program Open Space for transfer tax under-attainment	This could have an impact to the extent that POS funding would otherwise be used to fund POS development projects that would use small business goods or services
Altering the mandate for the Maryland State Arts Council for FY 2016	Potential impact to the extent funding would have otherwise been used to benefit small-business art enterprises
Altering the distribution of Short-Term Vehicle Rental Tax revenue	Potential impact to the extent that funding in the Chesapeake Bay Trust Fund would have otherwise been used to fund projects that would have used small business goods or services.

Provision	Small Business Impact
Excepting part-year residents from claiming a refund against the earned income tax credit	None
Reducing the amount of tax credits that may be issued for the Film Production Activity Tax Credit	Potential impact to the extent that additional film projects would have generated income for small business
Reducing the amount of the mandated appropriation for the reserve fund of the Cybersecurity Investment Incentive Tax Credit	Potential impact to the extent that additional tax credits would have been available to small business
Clarifying language for the mandated appropriation to the State Highway Administration for the Watershed Implementation Plan	None
Requiring the HSCRC to adopt policies to achieve GF savings	None
Delaying the effective date of the legislation creating the Deaf Cultural Digital Library by one year	None
Altering payments to providers of nonpublic placements in FY 15 and freezing rates in FY 16	This would have an impact to the extent that these providers are considered to be a small business
Freezing payments to providers with rates set by the Interagency Rates Committee in FY 16	This would have an impact to the extent that these providers are considered to be a small business
Eliminating cost-of-living increases for State employees	None
Authorizing DHCD to use funds in the Housing Counseling and Foreclosure Mediation Fund for administrative expenses (moving and relocating)	None
Authorizing the use of moneys in the MHIP Fund to fund provider reimbursements under Medicaid	None

Provision	Small Business Impact
Authorizing the transfer of funds received from the repayment of loans from the Sunny Day Fund to the GF	None
Authorizing the transfer of various fund balances to the GF for FY 2015	Potential impact to the extent that the transferred funds would have been used to benefit small business or to fund projects that would have contracted with small business for goods or services.
Authorizing the transfer of balance of funds in the State Police Helicopter Fund for FY 15	None
Authorizing the transfer of funds in the reserve account for State employee unemployment payments to the GF in FY 16	None
Authorizing the funds for VLT impact aid to be allocated to the ETF in FY 15 and FY 16	Potential impact to the extent that the funding would have been used by local govt. to purchase small business goods or services
Authorizing the distribution of funds from the Local Reserve Account to the GF in FY 15 and providing for the repayment of those funds in FY 16	None
Restricting the growth of mandated appropriations by tying growth to the growth in GF revenue	None
Providing for the adjustment of MCO capitation rates	None