Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 57 (The President)(By Request - Administration)
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 $47.3 million in FY 2016 due to diversion of transfer tax revenues to the general fund and other revenue enhancements, while special fund revenues increase by $4.0 million. General fund expenditures decline by $57.1 million in FY 2015, mostly due to authorizing the use of special funds for Medicaid expenditures. In FY 2016, general fund expenditures decline by $212.3 million due to mandate relief, fund swaps, cost control, and other actions. Special fund expenditures increase by $43.4 million in FY 2015, due to fund swaps and mandate relief, and by $21.4 million in FY 2016, primarily from cost control, fund swaps, and cost shifts. Federal, bond, higher education, and other 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	$47.3	$3.5	$3.0	$3.1
SF Revenue	($.8)	$4.0	$0	$0	$0
FF Revenue	$0	($30.8)	($20.8)	($20.8)	($20.8)
GF Expenditure	($57.1)	($212.3)	($274.1)	($367.3)	($471.1)
SF Expenditure	$43.4	$21.4	($7.6)	$18.6	($55.9)
FF Expenditure	($10.0)	($36.9)	($39.6)	($44.3)	($52.7)
Higher Ed Exp.	$0	($43.7)	($43.7)	($43.7)	($43.7)
Bond Exp.	$0	($65.0)	$0	$0	$0
Other Exp.	$0	$0	($85.0)	($100.0)	($100.0)
Net Effect	$176.1	$357.0	$432.7	$518.9	$705.7

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

Local Effect: Direct State aid for public schools is reduced by $76.1 million in fiscal 2016. Local government expenditures for teachers' retirement are reduced by $4.1 million in fiscal 2018 and $9.7 million in fiscal 2020. Direct State aid for local community colleges decreases by $13.0 million in fiscal 2016. Direct State aid for local libraries decreases by $1.8 million in fiscal 2016. Direct State aid for regional resource centers decreases by $526,083 in fiscal 2016. In fiscal 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 fiscal 2016. Local revenues from payments in lieu of taxes made by the Department of Natural Resources (DNR) from non-timber park earnings decrease by $1.6 million in fiscal 2015, and $2.2 million in 2016. Revenues for local health departments decline by $7.8 million in fiscal 2016. Local government grants for police aid are reduced by a total of $3.7 million in fiscal 2016. Local income tax disparity grants are reduced by a total of $2.1 million in fiscal 2016. Video lottery terminal (VLT) local impact grants decrease by $4.1 million in fiscal 2015, and $3.9 million in fiscal 2016.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached, beginning on page 82). The Department of Legislative Services concurs with this assessment.

Analysis

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

Revenue Enhancements and Transfers to the General Fund

- 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 in fiscal 2016.
- Limits eligibility for the State refundable earned income tax credit to State residents and part-year 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 the Department of Health and Mental Hygiene (DHMH) to adjust Medicaid managed care organization capitation rates in fiscal 2015, including at least $10.0 million in general funds, to reflect failure to meet medical loss ratios in calendar 2014.
- 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.
- 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.
- Repeals the State Police Helicopter Replacement Fund and transfers the remaining balance to the general fund in fiscal 2015.
- Reduces from $7.5 million to $6.8 million, the maximum amount of film production activity tax credits that may be issued in fiscal 2016.
- 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.

Mandate Relief

- Limits the increase over the previous fiscal year of certain mandated appropriations to no more than one percentage point less than projected general fund revenue growth beginning in fiscal 2017 (Section 13 of the bill.).
- Holds the per pupil foundation amount used in many State education aid formulas at the fiscal 2015 level for fiscal 2016; for fiscal 2017 through 2020, the limit on annual inflation is reduced from 5% to 1%.
- 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 to the fiscal 2015 amount.

- Phases in the mandated general fund appropriation for the Maryland Library for the Blind and Physically Handicapped over a 10-year period.
- 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.
- Delays until on *or after* October 1, 2015, the requirement that the Maryland State Department of Education must establish the Deaf Culture Digital Library.
- Reduces the mandated fiscal 2016 rate increase for Developmental Disabilities Administration community service providers from 3.5% to 1.75% over the funding level provided in fiscal 2015.
- Reduces the Core Public Health Services funding formula to $41.7 million (the fiscal 2014 level) for fiscal 2015 and 2016.
- Reduces the mandated appropriation from the Cigarette Restitution Fund for the Statewide Academic Health Center Cancer Research Grants from $13.0 million to $5.8 million beginning in fiscal 2016, and removes the requirement that funds be distributed according to historical allocations between the academic health centers.
- Repeals the specified mandatory appropriations of no less than $10.0 million in fiscal 2015 and no less than $35.0 million in fiscal 2016 and each year thereafter from the insurance premium tax to fund the Maryland Health Benefit Exchange.
- 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).
- Repeals 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 park earnings in fiscal 2015 and 2016.
- 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.
- Caps the total amount of the disparity grant program, beginning in fiscal 2016, at $127.7 million and specifies that grants must be allocated proportionally if the total amount required exceeds this amount.
- Reduces the general fund appropriation for the Maryland State Arts Council to $15.4 million in fiscal 2016.

- Reduces the mandated appropriation to the Maryland Cybersecurity Investment Tax Credit Reserve Fund by $500,000 in fiscal 2016.
- Alters the abandoned property notification procedures for the Comptroller's Office.

Fund Swaps and Cost Shifts

- Authorizes DHMH to use up to $45.0 million in funds from the Maryland Health Insurance Plan Fund for Medicaid provider reimbursements in fiscal 2015.
- Delays to fiscal 2017 the requirement that the Governor reduce the budgeted Medicaid Deficit Assessment by the full amount of hospital inpatient and outpatient general fund Medicaid savings from implementation of the new Medicare all-payor model contract.
- Transfers $4.1 million in fiscal 2015, and $3.9 million in fiscal 2016, from VLT local impact grants to the Education Trust Fund (ETF).
- 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.
- Requires that the Governor's mandated appropriations in fiscal 2015 through 2019 for the Watershed Implementation Plan be included in the annual operating or capital budget of the Maryland Department of Transportation rather than going to the State Highway Administration.
- 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.

Cost Control and Administrative Measures

- Prohibits increments and general salary increases for State employees in fiscal 2016, excluding the salaries of constitutional officers or members of the General Assembly or increases necessary for the retention of faculty in the University System of Maryland, Morgan State University, or St. Mary's College of Maryland.
- 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 enact policies that generate general fund Medicaid savings of at least $8.0 million in fiscal 2015 and $16.7 million in fiscal 2016.
- In fiscal 2016, prohibits an increase in rates paid to providers of nonpublic special education placements over the rates in effect on June 30, 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 June 30, 2014.

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 $57.1 million. In total, the State's general fund position improves by $210.3 million in fiscal 2015.

In fiscal 2016, the State's general fund position improves by $259.6 million, through a combination of transfers, revenue enhancement, fund swaps, cost shifts, and mandate relief. The two-year impact on the general fund sums to $469.9 million.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 9). 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 75) 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	$43.8
Revenue Enhancement	10.8	3.5
Revenue Subtotal	*153.3*	*47.3*
Expenditures		
Mandate Relief	$0.0	($186.1)
Fund Swaps and Cost Shifts	(49.1)	(21.7)
Cost Control and Administrative Measures	(8.0)	(104.5)
Other	0.0	100.0
Expenditure Subtotal	*(57.1)*	*(212.3)*
General Fund Improvement	**$210.3**	**$259.6**

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 80.

Education and Library Aid: Direct State aid for public schools is reduced by a total of $76.1 million in fiscal 2016, as a result of holding the per pupil foundation amount at its fiscal 2015 level, and delaying the phase-in of NTI adjustment grants. Local government expenditures for teachers' retirement are reduced by an estimated $4.1 million in fiscal 2018 and by an estimated $9.7 million in fiscal 2020.

Direct State aid for local community colleges decreases by more than $13.0 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 in transferred from the POS Local unencumbered balance, reducing the availability of grants. The impact of this provision on the counties is shown in **Exhibit 7** on page 52. 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 park earnings decrease by an estimated $1.6 million in fiscal 2015, and $2.2 million in 2016.

Other Local Aid: Revenues for local health departments decline by $7.8 million in fiscal 2016, increasing to $8.8 million in fiscal 2020, due to reduction in the Core Public Health Services funding formula. Local government grants for police aid are reduced by $3.7 million in fiscal 2016. Local income tax disparity grants are reduced by a total of $2.1 million in fiscal 2016, due to capping the total amount of the disparity grant program beginning in fiscal 2016. The impact on counties is shown in **Exhibit 9** on page 58. VLT local impact grants decrease by $4.1 million in fiscal 2015, and $3.9 million in fiscal 2016 due to the transfer of funds to the ETF. The impact on counties is shown in **Exhibit 10** on page 65.

Additional Information

Prior Introductions: None.

Cross File: HB 72 (The Speaker)(By Request - Administration) - Appropriations.

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
min/rhh

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Appendix A – Contents

Revenue Enhancements and Transfers to the General Fund

Local Income Tax Reserve Account 11
Refundable Earned Income Tax Credit 12
Sunny Day Fund Repayment 13
Managed Care Organization Medical Loss Ratio Clawback 14
Bay Restoration Fund 15
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund 16
Strategic Energy Investment Fund 18
Health Occupations Boards 20
State Self-insured Unemployment Insurance Reserve Account 21
Baltimore City Community College 22
Jane E. Lawton Conservation Fund 23
Mortgage Lender-Originator Fund 24
Health Personnel Shortage Incentive Grant Program 25
Spinal Cord Injury Research Trust Fund 26
State Police Helicopter Replacement Fund 27
Film Production Activity Tax Credit 28

Mandate Relief

Limiting Mandate Growth 29
Target per Pupil Foundation Amount 33
Net Taxable Income Adjustments 36
Senator John A. Cade Funding Formula for Local Community College Aid 37
Joseph A. Sellinger Program for Independent Colleges and Universities 39
Maryland Library for the Blind and Physically Handicapped 40
County-State Minimum Library Program 41
Library Regional Resource Centers 42
State Library Resource Center 43

Deaf Culture Digital Library 44
Developmental Disabilities Administration Reimbursement to Community Service Providers 45
Core Public Health Services Funding Formula 46
Statewide Academic Health Center Cancer Research Grants 47
Maryland Health Benefit Exchange 48
Maryland Agricultural and Resource-Based Industry Development Corporation 49
Transfer Tax-funded Programs 50
Maryland Park Service – Payment in Lieu of Taxes 54
State Aid for Police Protection 56
Local Income Tax Disparity Grants 57
Maryland State Arts Council 59
Cybersecurity Investment Incentive Tax Credit 60
Abandoned Property Notification Procedures 61

Fund Swaps and Cost Shifts

Maryland Health Insurance Plan Fund 62
Medicaid Deficit Assessment 63
Video Lottery Terminal Local Impact Grants 64
Housing Counseling and Foreclosure Mediation Fund 66
Watershed Implementation Plan 67
Waterway Improvement Fund 68

Cost Control and Administrative Measures

State Employee Salary Adjustments 70
Hospital Uncompensated Care Savings 71
Providers of Nonpublic Placements 72
Rates for Residential Child Care Group Homes 74

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 distribution in fiscal 2016 to replenish the account.

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	$0	$0	$0	$0
GF Exp	$0	$100.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $100.0 million in fiscal 2015 due to the transfer, with a corresponding general fund expenditure increase of $100.0 million in fiscal 2016 due to repayment of the transfer. The Governor's proposed fiscal 2016 budget includes a $100.0 million appropriation to the Dedicated Purpose Account for transfer to the Local Income Tax Reserve Account.

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 to 2026.

Location of Provision in the Bill: Section 12 (p. 31)

Analysis prepared by: Robert J. Rehrmann

Refundable Earned Income Tax Credit

Provisions in the Bill: Limit eligibility for the State refundable earned income tax credit to State residents and part-year residents only, applicable to all taxable years beginning after December 31, 2014.

Agency: Comptroller's Office

Type of Action: General fund revenue enhancement

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$0	$2.3	$2.4	$2.4	$2.5	$2.6

State Effect: General fund revenues increase by $2.3 million in fiscal 2016 due to the elimination of tax credit claims by nonresidents. The Governor's proposed fiscal 2016 budget assumes an increase of $2.0 million in general fund revenues due to this provision. Future year estimates reflect the number of estimated taxpayers, recently enacted enhancements to the State credit, and termination of federal provisions.

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 gradually increases to 28% by tax year 2018.

Approximately $300.0 million in State and local earned income tax credits were claimed in tax year 2012, of which $2.1 million was refunds claimed by nonresidents. Of the refundable credits claimed by nonresidents, 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: Section 1 (p. 24); Section 16 (p. 32)

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:	**FY 2015**	**FY 2016**	*($ in dollars)* **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 7 (p. 30)

Analysis prepared by: Jody J. Sprinkle

Managed Care Organization Medical Loss Ratio Clawback

Provision in the Bill: Requires the Department of Health and Mental Hygiene (DHMH) to adjust Medicaid managed care organization (MCO) capitation rates in fiscal 2015, including at least $10,000,000 in general funds, to reflect failure to meet medical loss ratios in calendar 2014.

Agency: Department of Health and Mental Hygiene

Type of Action: Revenue enhancement

Fiscal Impact:	*($ in millions)* **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: Although the provision requires a reduction in MCO rates to reflect failure to meet medical loss ratios in calendar 2014, the Department of Budget and Management advises that rates will not be adjusted. Instead, MCOs will remit payment of at least $10.0 million to DHMH in fiscal 2015. Therefore, general and federal fund revenues increase in fiscal 2015. 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 14 (p. 32)

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 8 (p. 31)

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			*($ in millions)*			
Impact:	**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 Governor's proposed 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. 23-24)

Analysis prepared by: Andrew D. Gray

Strategic Energy Investment Fund

Provision in the Bill: Authorizes the transfer of $6,000,000 from the Maryland Strategic Energy Investment Fund (SEIF) to the general fund in fiscal 2015.

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

Fiscal Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
	($ in millions)					
GF Rev	$6.0	$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 $33.1 million at the end of fiscal 2015 following this transfer. **Exhibit 3** shows the fiscal 2014 closing balance and projected fiscal 2015 balance by account. The bill does not specify from which accounts the transfer will occur.

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.

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.

Exhibit 3
Maryland Strategic Energy Investment Fund Balance
Fiscal 2014 and 2015

	Fiscal 2014	Fiscal 2015
Energy Efficiency and Conservation Programs, Low- and Moderate-income Sector	$7,142,454	$3,101,225
Energy Efficiency and Conservation Programs, All Other Sectors	5,489,724	2,322,866
Renewable Energy, Clean Energy, Climate Change, Education, and Resiliency	16,464,528	4,927,361
Administration	4,260,834	2,928,785
Rate Relief	61,818	61,818
Energy Assistance	28,193,503	24,297,286
Cancellation of Restricted Funds		1,500,000
Proposed Transfer		(6,000,000)
Closing Fund Balance	**$61,612,861**	**$33,139,341**

Notes: Reflects actual auction results in September and December 2014, and projected results for March and June 2015. Includes a proposed deficiency appropriation for the Maryland Department of the Environment in fiscal 2015. The fiscal 2015 closing fund balance shown accounts for actual appropriation levels for certain State agencies from RGGI revenues. The exhibit does not include the balance for the Renewable Portfolio Standard Alternative Compliance Payments and the Offshore Wind Development Fund, which can only be used for specific purposes, or RGGI dues, which are excluded from the revenue allocation.

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

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 Provision in the Bill: Section 8 (p. 30)

Analysis prepared by: Tonya D. Zimmerman

Health Occupations Boards

Provisions in the Bill: Authorize transfer of a total of $5,900,000 from the special funds of three health occupations boards to the general fund in fiscal 2015. The transfer includes $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 Impact:	*($ in millions)* **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 transfer. 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 8 (p. 30)

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			*($ in millions)*			
Impact:	**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: Section 8 (p. 30) and Section 10 (p. 31)

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 8 (p. 30)

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 8 (p. 30)

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 8 (p. 30)

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 8 (p. 30)

Analysis prepared by: Garret T. Halbach

Spinal Cord Injury Research Trust Fund

Provision in the Bill: Authorizes the transfer of $1,000,000 from the Spinal Cord Injury Research Trust Fund to the general fund in fiscal 2015.

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	$0	$0	$0	$0	$0

State Effect: Although the provision authorizes transfer of $1,000,000, the fiscal 2015 fund balance of the Spinal Cord Injury Research Trust Fund is only $500,000. Thus, general fund revenues increase by $500,000 in fiscal 2015 due to the transfer. Following the 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 2010, $1.0 million in 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 Provision in the Bill: Section 8 (p. 31)

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.

Agency: Department of State Police

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	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $269,741 in fiscal 2015 from the transfer of the remaining SPHRF balance.

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 surcharge on fines imposed by the courts.

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.

Since 2009, funds have been periodically transferred from SPHRF to pay for Maryland Department of Transportation procurement services. Chapter 1 of the 2012 first special session transferred $1.0 million from SPHRF to the Budget Restoration Fund. The remaining balance of SPHRF is $269,741.

Location of Provisions in the Bill: Section 1 (p. 22); Section 9 (p. 31)

Analysis prepared by: Laura M. Vykol

Film Production Activity Tax Credit

Provision in the Bill: Reduces, from $7,500,000 to $6,816,237, the maximum amount of film production activity tax credits the Secretary of Business and Economic Development may issue in fiscal 2016.

Agency: Department of Business and Economic Development (DBED)

Type of Action: General fund revenue enhancement

Fiscal			*(in dollars)*			
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$0	$683,763	$0	$0	$0	$0

State Effect: General fund revenues increase by $683,763 in fiscal 2016 due to a reduction in total tax credits that may be issued. The Governor's proposed fiscal 2016 budget assumes an increase of $683,763 in general fund revenues in fiscal 2016 due to this reduction.

Program Description: A qualified film production entity that meets specified requirements and is approved by DBED may receive a refundable tax credit of up to 27% of the qualified direct costs of a film production activity.

Recent History: Maryland began offering financial assistance to encourage film production activities in 2001 and adopted the current film production activity tax credit beginning in 2012. Legislation enacted from 2011 to 2014 authorized DBED to award a maximum of $62.5 million in film production activity credits in fiscal 2012 through 2016. To date, DBED has issued $61.8 million, with $683,763 of the fiscal 2016 funds remaining unallocated.

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

Analysis prepared by: Robert J. Rehrmann

Limiting Mandate Growth

Provision in the Bill: Beginning in fiscal 2017, this provision ("Section 13") limits the annual increase of certain mandated appropriations over the previous fiscal year to no more than one percentage point less than projected general fund revenue growth in the December report of the Board of Revenue Estimates (BRE). Specified education and retirement spending is exempt, including most mandated K-12 spending and the State's employer contributions to retirement programs.

Agencies: Maryland Department of Transportation (MDOT), Department of Natural Resources, Department of Agriculture, Department of Health and Mental Hygiene, Maryland State Department of Education, Maryland Higher Education Commission, St. Mary's College of Maryland, Baltimore City Community College, Department of Business and Economic Development

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	($12.8)	($32.7)	($68.6)	($94.8)
FF Exp	$0	$0	($2.2)	($6.2)	($13.9)	($15.0)
SF Exp	$0	$0	($111.1)	($67.9)	($142.3)	($154.5)

State Effect: General, special, and federal fund expenditures decrease beginning in fiscal 2017 due to the cap on growth for certain mandated appropriations that would otherwise grow at a faster rate. Expenditures decline by a total of $721.9 million from fiscal 2017 through 2020, including $475.8 million (65.9%) in special funds, $208.9 million (28.9%) in general funds, and $37.3 million (5.2%) in federal funds. This estimate is based on the following information and assumptions:

- Only mandates where an appropriation is required by statute with a clearly prescribed dollar amount or an objective basis from which funding can easily be computed *and* which are subject to inflationary growth adjustments are included; mandates for which appropriations cannot be clearly calculated in advance (*i.e.,* entitlements such as Temporary Cash Assistance and Medicaid) are excluded.
- Growth in mandated appropriations is limited to 3.0% in fiscal 2017, 2.7% in fiscal 2018, 2.1% in fiscal 2019, and 2.8% in fiscal 2020, based on December 2014 BRE estimates of general fund growth for those fiscal years.
- Other provisions of this bill alter mandated appropriations; after the impact of those provisions, Section 13 generates greater savings than would occur under Section 13 alone; this estimate assumes the full impact of Section 13 *and* other provisions in this bill that impact mandated appropriations.

Many provisions affected by Section 13 are altered by other sections of the bill. **Exhibit 4** illustrates the savings generated by Section 13 after accounting for other provisions in this bill.

Exhibit 4
Impact on Total Expenditures
from Section 13 After Other Provisions in HB 72/SB 57
Fiscal 2017-2020

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
General Funds				
DDA Reimbursement to Community Service Providers	($2,802,837)	($7,884,381)	($17,682,969)	($19,062,240)
Senator John A. Cade Formula	0	(11,654,675)	(32,705,256)	(51,974,824)
Joseph A. Sellinger Formula	(6,172,124)	(9,442,157)	(12,424,261)	(15,285,540)
Baltimore City Community College	0	0	(881,269)	(2,830,989)
Other	(3,777,864)	(3,733,657)	(4,906,786)	(5,672,467)
General Funds Subtotal	*(12,752,825)*	*(32,714,871)*	*(68,600,541)*	*(94,826,060)*
Federal Funds				
DDA Reimbursement to Community Service Providers	(2,202,229)	(6,194,871)	(13,893,761)	(14,977,474)
Federal Funds Subtotal	*(2,202,229)*	*(6,194,871)*	*(13,893,761)*	*(14,977,474)*
Special Funds				
Transfer Tax-funded Programs	(51,453,281)	(49,778,657)	(142,311,588)	(147,797,316)
Transportation Debt Service	(59,600,000)	(18,100,000)	0	(6,700,000)
Special Funds Subtotal	*(111,053,281)*	*(67,878,657)*	*(142,311,588)*	*(154,497,316)*
Total	**($126,008,336)**	**($106,788,399)**	**($224,805,890)**	**($264,300,851)**

DDA: Developmental Disabilities Administration
Transfer Tax-funded programs include Program Open Space, Rural Legacy, the Agricultural Land Preservation Foundation, and the Heritage Conservation Fund.
Notes: Other includes Core Public Health Services formula funding, State Aid for Police Protection, the Maryland Library for the Blind and Physically Handicapped, regional library resource centers, the Maryland State Arts Council, the Cybersecurity Investment Incentive Tax Credit, Child Abuse and Neglect Centers of Excellence, and other K-12 and higher education aid. Numbers may not sum due to rounding.

Source: Department of Legislative Services

The Department of Legislative Services (DLS) notes that mandated appropriations in four areas comprise 91.6% of total estimated savings: transfer tax-funded programs (45.2%); Developmental Disabilities Administration reimbursement to community service providers (19.1%); higher education formulas (17.6%); and transportation debt service (9.7%). Two of these areas (transfer tax and transportation debt service) generate special fund savings only. The last scheduled transfer of over $80.0 million in transfer tax revenues to the general fund is in fiscal 2018. This explains the large increase in the impact of this provision on programs funded by the transfer tax beginning in fiscal 2019.

For illustrative purposes, the savings generated under Section 13 before the impact of other provisions of this bill are shown for fiscal 2017 through 2020 in **Exhibit 5**.

Exhibit 5
Impact of Section 13 Only on Expenditures by Fund Type and Program
Fiscal 2017-2020

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
General Funds				
DDA Reimbursement to Community Service Providers	($2,848,810)	($8,013,701)	($17,973,006)	($19,374,900)
Senator John A. Cade Formula	0	(3,063,621)	(23,484,630)	(42,496,020)
Joseph A. Sellinger Formula	0	(3,103,386)	(5,952,376)	(8,632,442)
Baltimore City Community College	0	0	(881,269)	(2,830,989)
Other	(1,348,825)	(2,474,870)	(4,579,749)	(5,171,514)
General Funds Subtotal	*(4,197,635)*	*(16,655,579)*	*(52,871,029)*	*(78,505,866)*
Federal Funds				
DDA Reimbursement to Community Service Providers	($2,238,350)	($6,296,480)	($14,121,647)	($15,223,136)
Federal Funds Subtotal	*(2,238,350)*	*(6,296,480)*	*(14,121,647)*	*(15,223,136)*
Special Funds				
Transfer Tax-funded Programs	(12,609,200)	(9,885,786)	(101,580,967)	(105,926,238)
Transportation Debt Service	(59,600,000)	(18,100,000)	0	(6,700,000)
Special Funds Subtotal	*(72,209,200)*	*(27,985,786)*	*(101,580,967)*	*(112,626,238)*
Total	**($78,645,185)**	**($50,937,845)**	**($168,573,644)**	**($206,355,240)**

DDA: Developmental Disabilities Administration
Transfer Tax-funded programs include Program Open Space, Rural Legacy, the Agricultural Land Preservation Foundation, and the Heritage Conservation Fund.
Notes: Other includes Core Public Health Services, State and regional library resource centers, the Maryland Library for the Blind and Physically Handicapped, the Maryland State Arts Council, funding for children at risk/SEED School, Child Abuse and Neglect Centers of Excellence, and other K-12 and higher education aid. Numbers may not sum due to rounding.
Source: Department of Legislative Services

Additional Comments: Section 13 applies to many funding formulas and mandated appropriations across the State budget; however, the provision is uncodified and, if enacted, will not be reflected in statute. DLS notes that this does not provide clarity or transparency regarding the impact on mandated funding formulas and appropriations in future years.

Transportation debt service (mandated appropriations to pay the principal and interest on Consolidated Transportation Bonds) is subject to Section 13. However, DLS notes that failure to pay full debt service could negatively impact MDOT's credit rating.

Location of Provision in the Bill: Section 13 (pp. 31-32)

Analysis prepared by: Richard H. Harris

Target per Pupil Foundation Amount

Provisions in the Bill: Hold the per pupil foundation amount used in many of the State education aid formulas at its fiscal 2015 level of $6,860 for fiscal 2016. For fiscal 2017 through 2020, the limit on annual inflation for the target per pupil foundation amount is reduced from 5% to 1%.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($64.7)	($105.8)	($175.8)	($252.4)	($330.7)

State Effect: Mandated general fund expenditures decrease by $64.7 million in fiscal 2016 due to the $94 reduction in the per pupil foundation amount. This figure includes a $39.8 million reduction in foundation program aid; a $920,539 reduction in aid for the geographic cost of education index (GCEI); a $139,007 reduction for the SEED school; decreases of $17.8 million, $3.8 million, and $2.9 million for the compensatory education, special education, and limited English proficiency formulas, respectively; and decreases of $309,290 and $199,591 for the Maryland School for the Deaf (MSD) and the Maryland School for the Blind (MSB), respectively. Net taxable income (NTI) adjustment grants decline by $152,097 under the assumption that the provision of the bill that delays the annual phase-in of the program (as described on p. 36 of this document) is enacted. If that provision is not enacted, the freeze of the per pupil foundation amount results in a reduction of $228,146 in fiscal 2016.

The reductions are offset somewhat by a $1.3 million increase in guaranteed tax base (GTB) funding and a $39,569 increase in foundation special grant funding for Kent County. The Governor's proposed fiscal 2016 budget includes a total of $66.0 million in general fund reductions and a $1.3 million appropriation for GTB, contingent on enactment of legislation reducing the per pupil foundation amount to the fiscal 2015 level. Future year savings reflect inflation and projected student population changes growing off the new lower base per pupil amount.

Beginning in fiscal 2016, reductions in State aid also slow the growth of teachers' retirement costs paid by the State on behalf of local school systems. The majority of funding for local school systems supports personnel costs, so reducing State aid to school systems is likely to reduce the number of new personnel hired by school systems and/or reduce growth in the salaries of existing staff. Either of these outcomes slows growth in the professional salary bases of local school systems and reduces future retirement costs.

Reductions in the State share of retirement costs are estimated at $10.4 million in fiscal 2018 and $23.4 million by fiscal 2020. **Exhibit 6** shows projected reductions in general fund expenditures under this provision in fiscal 2016 through 2020.

Exhibit 6
Estimated Impact on General Fund Expenditures by Program
Fiscal 2016-2020
($ in Thousands)

Program	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Direct State Aid					
Foundation Formula	($39,844.8)	($64,477.4)	(99,433.4)	($140,140.1)	(179,968.1)
Geographic Cost Index	(920.5)	(1,490.3)	(2,297.2)	(3,237.0)	(4,154.9)
Foundation Special Grants	39.6	0.0	0.0	0.0	0.0
Net Taxable Income Grants	(152.1)	(374.6)	(814.6)	(1,435.3)	(1,865.9)
Special Education Formula	(3,754.3)	(6,063.5)	(9,405.7)	(13,183.9)	(17,039.3)
Compensatory Education	(17,799.0)	(29,362.0)	(46,906.2)	(68,260.1)	(90,759.4)
Limited English Proficiency	(2,902.5)	(5,097.8)	(8,353.7)	(12,583.0)	(17,268.1)
SEED School	(139.0)	(223.6)	(342.0)	(476.4)	(608.0)
Guaranteed Tax Base	1,266.2	2,121.5	3,455.2	5,066.1	6,573.0
Subtotal	*(64,206.5)*	*(104,967.7)*	*(164,097.5)*	*(234,249.8)*	*(305,090.7)*
Teachers' Retirement Aid	0.0	0.0	(10,390.2)	(16,385.5)	(23,383.0)
Educational Organizations					
Maryland School for the Blind	(199.6)	(318.5)	(484.8)	(671.3)	(860.5)
Maryland School for the Deaf	(309.3)	(511.0)	(782.8)	(1,090.6)	(1,392.9)
Total	**($64,715.4)**	**($105,797.2)**	**($175,755.3)**	**($252,397.2)**	**($330,727.1)**

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

Source: Department of Legislative Services

Local Effect: Direct State aid to local public school systems is reduced by $64.2 million in fiscal 2016. Future year reductions reflect projected student population increases and inflation. The fiscal 2016 reductions are shown by county in **Appendix C**. Local government expenditures for teachers' retirement are reduced by an estimated $4.1 million in fiscal 2018 and by an estimated $9.7 million in fiscal 2020.

Program Description: Beginning in fiscal 2016, current law inflates the per pupil foundation amount by the lesser of (1) the increase in the Implicit Price Deflator for State and Local Government Purchases; (2) the increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore Metropolitan Area; or (3) 5%. In the absence of this provision, the per pupil amount for fiscal 2016 is $6,954, a 1.4% increase over the fiscal 2015 per pupil funding level of $6,860.

The majority of State education aid is distributed to local school systems through formulas that are based primarily on student enrollments and local wealth. The per pupil foundation amount affects State funding under the foundation program (including the foundation formula, GCEI, foundation special grants, and NTI adjustment grants); the compensatory education, special education, and limited English proficiency formulas; and the GTB program. In addition, funding increases for the SEED school, MSD, and MSB are tied to growth in the per pupil foundation amount.

Recent History: From fiscal 2002 through 2008, during the phase-in of the Bridge to Excellence in Public Schools Act of 2002, the per pupil foundation amount increased by an average of 8.4% per year, reaching $6,694 when fully phased in, in fiscal 2008. Chapter 2 of the 2007 special session then froze the per pupil amount at the fiscal 2008 level of $6,694 for fiscal 2009 and 2010 and capped annual inflationary increases at 5%. The inflation measures used to determine the fiscal 2011 increase in the per pupil amount showed no growth, so the fiscal 2011 target per pupil foundation amount remained at the fiscal 2008 level.

The Budget Reconciliation and Financing Act of 2009 limited to 1% the fiscal 2012 inflationary increase for the per pupil foundation amount, and the Budget Reconciliation and Financing Act of 2010 extended the 1% cap on per pupil funding through fiscal 2015. The Budget Reconciliation and Financing Act of 2011 held the per pupil foundation amount at $6,694 for fiscal 2012. Therefore, for the fifth consecutive year, the per pupil foundation amount remained at $6,694 in fiscal 2012.

Location of Provisions in the Bill: Section 1 (pp. 7-9)

Analysis prepared by: Scott P. Gates

Net Taxable Income Adjustments

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. Future years are not affected since the grants are fully phased in by fiscal 2019. The Governor's proposed fiscal 2016 budget reduces the State share of the foundation program by $52.8 million, including the $11.9 million reduction to NTI adjustment grants as shown above, contingent on enactment of legislation level funding the per pupil foundation amount at the fiscal 2015 amount and freezing the NTI increase phase-in for one year.

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. 9)

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 Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($13.0)	$0	$0	$0	$0

State Effect: Under the revised funding amounts, mandated general fund expenditures for the Cade formula decrease in fiscal 2016 by $13.0 million. The Governor's proposed fiscal 2016 budget reduces the Cade formula general fund appropriation by $13.1 million, contingent on enactment of legislation reducing the required appropriation. Future years are not affected by this provision. Another provision in this bill (Limiting Mandate Growth) specifically caps growth in the Cade formula at one percentage point less than the projected growth in general fund revenues beginning in fiscal 2017. The impact of that provision, which applies the same cap to many mandated appropriations, is discussed beginning on page 29.

Local Effect: Direct State aid for local community colleges decreases by a total of $13.1 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. The hold harmless provision of the Cade formula was not followed in the amounts specified by this bill. As a result, 10 colleges receive less funding than in fiscal 2015, after accounting for the January 2015 Board of Public Works reduction of $6.8 million.

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. 9-13)

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 to the fiscal 2015 amount as specified by institution. The statutory percentages are unchanged in future years.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)					
GF Exp	$0	($6.5)	$0	$0	$0	$0

State Effect: Under the revised funding amount, mandated general fund expenditures for the Sellinger formula decrease in fiscal 2016 by $6.5 million. The Governor's proposed fiscal 2016 budget reduces the Sellinger formula appropriation by $6.5 million, contingent on enactment of legislation reducing the required appropriation. Future years are not affected. Another provision in this bill (Limiting Mandate Growth) specifically caps growth in the Sellinger formula at one percentage point less than the projected growth in general fund revenues beginning in fiscal 2017. The impact of that provision, which applies the same cap to many State mandated appropriations, is discussed beginning on page 29.

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. The Sellinger formula allocates $855,898 to the college in fiscal 2016.

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

Analysis prepared by: Garret T. Halbach

Maryland Library for the Blind and Physically Handicapped

Provision in the Bill: Phases in the mandated general fund appropriation for the Maryland Library for the Blind and Physically Handicapped (LBPH) over a 10-year period.

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	($2.2)	($2.1)	($1.9)	($1.7)	($1.4)

State Effect: General fund expenditures for LBPH decrease by approximately $2.2 million in fiscal 2016. This reflects the decrease in the mandated funding amount from 25% of the general fund appropriation for the State Library Resource Center (SLRC) to 2.5%. The Governor's proposed fiscal 2016 budget reduces the general fund MSDE appropriation by $2,173,655, contingent on enactment of legislation delaying the requirement to establish a Deaf Culture Library and phasing in the increased funding provided for LBPH over 10 years. Of this amount, $1,940,983 is associated with this provision, which would leave $286,769 in the budget above the amount required by this provision. LBPH will receive an additional 2.5% of the SLRC allocation amount each fiscal year until reaching the full 25% of the SLRC allocation in fiscal 2025. Future year savings reflect this phase-in of the mandated funding.

Program Description: LBPH is a statewide library program serving over 8,000 blind, visually impaired, physically disabled, and reading disabled Maryland residents. LBPH is operated by MSDE, located in Baltimore City, and a component of the National Library Service for the Blind and Physically Handicapped at the Library of Congress. The library is the primary source of books, periodicals, and other information in formats such as Braille, large print, and recorded books. Chapter 498 of 2014 established a minimum State funding amount for LBPH equal to 25% of the general fund appropriation for SLRC.

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

Analysis prepared by: Rebecca J. Ruff

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 Governor's proposed 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. 18-19)

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 Governor's proposed 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. 16-17)

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 (p. 17)

Analysis prepared by: Rebecca J. Ruff

Deaf Culture Digital Library

Provision in the Bill: Delays until on *or after* October 1, 2015, the requirement that the Division of Library Development and Services (DLDS) in the Maryland State Department of Education (MSDE) must establish the Deaf Culture Digital Library (DCDL).

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal			*(in dollars)*			
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($232,672)	($237,514)	($245,553)	($253,913)	($262,608)

State Effect: Establishment of DCDL is postponed indefinitely. General fund expenditures decrease by $232,672 in fiscal 2016. This estimate assumes that current law would require general fund expenditures totaling $232,672 in fiscal 2016 (including $118,528 for a staff supervisor and staff assistant to operate DCDL; $99,100 to acquire and maintain library materials, databases, and an interactive website for consumers; and $15,044 for other operational costs). The amount of foregone expenditures increases to $262,608 by fiscal 2020, which accounts for inflation and assumes that MSDE does not exercise the option to establish DCDL at any point within the fiscal 2016 through 2020 timeframe. Conversely, savings under this provision are diminished if, and to a degree depending on when, DCDL is established after October 1, 2015.

The Governor's proposed fiscal 2016 budget reduces the general fund appropriation for MSDE by $2,173,655, contingent on legislation delaying the requirement to establish DCDL and phasing in the increased funding provided for the Maryland Library for the Blind over 10 years. Of this amount, $232,672 is associated with delaying establishment of DCDL.

Local Effect: None.

Program Description/Recent History: Chapter 606 of 2014 required DLDS of MSDE to establish DCDL as the primary information center on deaf resources for library customers and staff in the State, effective October 1, 2014.

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

Analysis prepared by: Scott P. Gates

Developmental Disabilities Administration Reimbursement to Community Service Providers

Provision in the Bill: Reduces the mandated fiscal 2016 rate increase for Developmental Disabilities Administration (DDA) community service providers from 3.5% to 1.75% over the funding level provided in the fiscal 2015 legislative appropriation.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($9.2)	($10.0)	($10.8)	($11.7)	($12.7)
FF Exp	$0	($7.3)	($7.8)	($8.5)	($9.2)	($9.9)
SF Exp	$0	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)

State Effect: Mandated expenditures decrease by $9.2 million in general funds, $7.3 million in federal funds, and $6,181 in special funds in fiscal 2016. (Decreases in special fund expenditures round to zero.) The Governor's proposed fiscal 2016 budget reduces DDA's appropriation by $9.2 million in general funds, $7.3 million in federal funds, and $6,181 in special funds, contingent on enactment of legislation reducing the required rate increase to 1.75%.

Savings in future years reflect rate increases applied to a lower base. Future years assume expansion of services and 3.5% annual rate increases in fiscal 2017 through 2019 (as required by statute) and an estimated 2.8% rate increase in fiscal 2020.

Program Description: DDA strives to serve individuals in the community rather than in institutions. To do so, DDA contracts with community service providers that offer a variety of services – including residential, day, and support services – to developmentally disabled individuals in community-based settings.

Recent History: Chapter 262 of 2014 mandated 3.5% annual provider rate increases for DDA community providers in fiscal 2016 through 2019. DDA community providers received a 4.0% rate increase for fiscal 2015 that was halved to 2.0% in a January 2015 Board of Public Works action. Previous provider rate increases equaled 2.46% in fiscal 2014, 2.0% in fiscal 2013, and 1.38% in fiscal 2012.

Location of Provision in the Bill: Section 1 (p. 19)

Analysis prepared by: Jennifer A. Ellick

Core Public Health Services Funding Formula

Provision in the Bill: Reduces the Core Public Health Services (CPHS) funding formula to $41,743,209 (the fiscal 2014 level) for fiscal 2015 and 2016.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)					
GF Exp	$0	($7.8)	($8.1)	($8.3)	($8.5)	($8.8)

State Effect: General fund expenditures decrease by $7.8 million in fiscal 2016. Out-year savings are due to inflationary growth factors being applied to a lower base. The Governor's proposed fiscal 2016 budget reduces general fund expenditures by $7.8 million, contingent on enactment of legislation reducing the required CPHS appropriation. The fiscal 2015 working appropriation was reduced to this level by the Board of Public Works in January 2015.

Local Effect: Revenues for local health departments decline by the same amount as the State general fund savings. The impact of this provision on the counties is shown in **Appendix C**.

Program Description: CPHS funding is established by a statutory formula, known as the targeted local health formula, which operates as the sole statutory funding mechanism for local health services. The formula adjustment factor is mandated under § 2-302 of the Health-General Article and is calculated by combining an inflation factor with a population growth factor.

Recent History: The Budget Reconciliation and Financial Act of 2014 clarified the CPHS formula by specifying that inflationary adjustments are made to the amount of funding for the preceding year beginning in fiscal 2015.

Location of Provision in the Bill: Section 1 (p. 19)

Analysis prepared by: Jordan D. More

Statewide Academic Health Center Cancer Research Grants

Provisions in the Bill: Reduce the mandated appropriation from the Cigarette Restitution Fund (CRF) for the Statewide Academic Health Center Cancer Research Grants from $13,000,000 to $5,800,000 beginning in fiscal 2016 and remove the requirement that the funds be distributed according to historical allocations between the academic health centers.

Agency: Department of Health and Mental Hygiene

Type of Action: Special fund mandate relief; fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($7.2)	($7.2)	($7.2)	($7.2)	($7.2)

State Effect: General fund expenditures decrease by $7.2 million annually beginning in fiscal 2016 due to the use of CRF special funds to support Medicaid expenditures otherwise supported with general funds. The Governor's proposed fiscal 2016 budget (1) reduces the special fund appropriation for Family Health and Chronic Disease Services by $7.2 million, contingent on enactment of legislation reducing the required appropriation from CRF; (2) authorizes the use of such funds to support Medicaid; and (3) reduces the Medicaid general fund appropriation by $7.2 million, contingent on enactment of legislation to reduce funding for other programs supported by CRF.

Program Description: CRF receives funding from payments made under the Master Settlement Agreement between states and tobacco manufacturers participating in the settlement. In Maryland, CRF funds must be used to support health- and tobacco-related priorities as specified in statute. CRF funding for statewide academic health centers supports grants to enhance cancer research that may lead to a cure for a targeted cancer and increase the rate at which cancer research translates into treatment protocols in the State. The academic health centers receiving funding have been the University of Maryland Medical Group and the Johns Hopkins Institutions.

Recent History: A January 2015 Board of Public Works action reduced CRF funding for statewide academic health centers by $7.45 million and substituted those special funds for general funds in Medicaid, bringing fiscal 2015 funding for the centers to $5.8 million. These provisions similarly bring funding for the centers to $5.8 million annually beginning in fiscal 2016, the level of funding that was provided in fiscal 2013.

Location of Provisions in the Bill: Section 1 (pp. 19-20)

Analysis prepared by: Jennifer A. Ellick

Maryland Health Benefit Exchange

Provision in the Bill: Repeals the specified mandatory appropriations of no less than $10,000,000 in fiscal 2015 and no less than $35,000,000 in fiscal 2016 and each year thereafter from the insurance premium tax to fund the Maryland Health Benefit Exchange (MHBE).

Agency: Maryland Health Benefit Exchange

Type of Action: Mandate relief

Fiscal Impact:	**FY 2015**	**FY 2016**	***($ in dollars)*** **FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$0	$1,498,276	$493,224	$0	$0	$0
SF Exp	$0	($1,498,276)	($493,224)	($0)	($0)	($0)

State Effect: Current law still requires the Governor to provide an appropriation "adequate to fully fund the operations" of MHBE from the insurance premium tax; however, under this provision, the amount may be less than the statutorily mandated $35.0 million beginning in fiscal 2016. Insurance premium tax revenues not dedicated to a specific purpose are a general fund revenue. The Governor's proposed fiscal 2016 budget includes $35.0 million in special funds for MHBE. This amount is reduced by $1.5 million, contingent on enactment of legislation reducing the required appropriation. Thus, general fund revenues increase by $1.5 million in fiscal 2016, while special fund expenditures decline correspondingly. MHBE must achieve savings to cover this reduction. In fiscal 2017, general fund revenues increase by $493,224 and special fund expenditures decrease correspondingly. This represents projected growth in the special fund portion of MHBE's operating expenses (assuming 3% inflation) that are below the $35.0 million mandate that would otherwise be in place.

Recent History: MHBE was established in 2011 to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Beginning January 1, 2015, a portion of the insurance premium tax must be distributed annually to the MHBE Fund to fund the operation and administration of MHBE. Funds must be allocated from the premium tax paid by health insurers, excluding managed care organizations and for-profit health maintenance organizations. Beginning in fiscal 2016, the amount distributed to the fund must be sufficient to fully fund the operation and administration of MHBE but no less than $35.0 million. MHBE operating expenses must be charged to non-State funds before State funds where possible.

Location of Provision in the Bill: Section 1 (p. 20)

Analysis prepared by: Jennifer B. Chasse

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). The Governor's proposed fiscal 2016 budget reduces the general fund MARBIDCO appropriation by $1,125,000, contingent on enactment of legislation reducing the required appropriation. 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. 7)

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. Repeal 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.

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

Type of Action: Special fund transfer; mandate relief

Fiscal			*($ in millions)*			
Impact:	**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.

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 Governor's proposed 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 enactment of 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 general obligation (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 fiscal 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 Governor's proposed fiscal 2016 capital budget. GO bonds programmed in the fiscal 2016 capital budget include $14.5 million for POS State, $14.5 million for POS Local, $17.5 million for Rural Legacy, and $22.7 million for MALPF.

Repayment Requirement: General fund expenditures decrease by $50.0 million in fiscal 2016 due to repeal of the $90.0 million repayment requirement. General fund expenditures decrease by $40.0 million in future years, but the exact fiscal year cannot be estimated since current law requires repayment equivalent to the 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.

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.

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 7**. 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**. Although there is $14.5 million in GO bond authorizations for POS Local in fiscal 2016, it is less than the $29.8 million preauthorized for POS Local in the fiscal 2015 *Capital Improvement Program*.

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.

Exhibit 7
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)**

Source: Department of Budget and Management

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 8** shows transfers and GO bond replacements for fiscal 2006 through 2015.

Exhibit 8
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: Section 1 and 8 (pp. 23, 25-27, 30)

Analysis prepared by: Andrew D. Gray

Maryland Park Service – Payment in Lieu of Taxes

Provision in the Bill: Prohibits the Department of Natural Resources (DNR) from making revenue sharing payments to counties from non-timber park earnings in fiscal 2015 and 2016.

Agency: Department of Natural Resources

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($2.2)	$0	$0	$0	$0
SF Exp	($1.6)	$0	$0	$0	$0	$0

State Effect: Special fund expenditures decrease by $1.6 million in fiscal 2015 and general fund expenditures decrease by $2.2 million in fiscal 2016. Expenditure reductions in both years reflect the amounts budgeted for Forest or Park Reserve Fund non-timber payments to counties. In fiscal 2015, the payments are budgeted as special funds, and in fiscal 2016, they are budgeted as general funds.

Although this provision eliminates the requirement that DNR make revenue sharing payments to counties from non-timber park earnings, fiscal 2015 and 2016 budget actions to implement this provision also assume that DNR would not be required to make payments from the Maryland Park Services Forest and Park Concession Account and the Deep Creek Lake Recreation Maintenance and Management Fund. The Governor's proposed fiscal 2016 budget includes a fiscal 2015 deficiency withdrawing $1,975,000 in special fund appropriations: $1,600,000 from the Forest or Park Reserve Fund; $140,000 from the Forest and Park Concession Account; and $235,000 from the Deep Creek Lake Recreation Maintenance and Management Fund. The Governor's proposed fiscal 2016 budget reduces DNR's fiscal 2016 general fund appropriation by $2,498,953, contingent on enactment of legislation to eliminate the Maryland Park Service's payment in lieu of taxes to counties. This contingent reduction reflects $2,213,953 from the Forest or Park Reserve Fund, $50,000 from the Forest and Park Concession Account, and $235,000 from the Deep Creek Lake Recreation Maintenance and Management Fund.

Local Effect: Local revenues from payments currently made by DNR decrease by an estimated $1.6 million in fiscal 2015 and $2.2 million in 2016 due to the prohibition on revenue sharing payments to counties from park earnings. Decreases by county for fiscal 2016 are shown in **Appendix C**.

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.

DNR is also required to administer the Deep Creek Lake Recreation Maintenance and Management Fund for the maintenance and management of the land, recreational facilities, and services that are related to Deep Creek Lake in Garrett County. All fees collected for boat launching at Deep Creek Lake State Park, all funds collected from lake and buffer use permits, contracts, grants, and gifts as a result of the Deep Creek Lake management program, and any investment earnings of the fund, are paid into the fund. One-quarter of the revenues are shared with Garrett County.

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 Provision in the Bill: Section 1 (p. 21)

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 (GOCCP)

Type of Action: Mandate relief

Fiscal Impact:	**FY 2015**	**FY 2016** *(in dollars)*	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($3,720,710)	$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. The Governor's proposed fiscal 2016 budget reduces the general fund appropriation for GOCCP by $3.7 million, contingent on enactment of legislation reducing the required SAPP appropriation. 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: In fiscal 2016, SAPP grants decline by $3.7 million. The bill does not specify the allocation of the reduction among local governments. The Department of Budget and Management proposes to reduce the grants to fiscal 2014 levels on a county-by-county basis unless the fiscal 2016 formula allocation is less than fiscal 2014. Most counties lose about 1.7% of the funding they would have received; however, Baltimore County is disproportionately impacted. Baltimore County's SAPP funding in fiscal 2016 is reduced by approximately $2.7 million as the county moved into a higher density category according to the formula and, therefore, would otherwise receive a higher per-capita grant.

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 (pp. 22-23)

Analysis prepared by: Jolshua S. Rosado

Local Income Tax Disparity Grants

Provisions in the Bill: Cap the total amount of the disparity grant program, for fiscal 2016 and each subsequent year thereafter, at $127,708,537. If the total amount required in calculating the grants exceeds this amount, grants must be allocated proportionally.

Agency: Payments to Civil Divisions

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	$0	($2.1)	($3.7)	($5.4)	($7.2)	($9.1)

State Effect: General fund expenditures decrease by $2.1 million in fiscal 2016 from capping disparity grants. The Governor's proposed fiscal 2016 budget reduces the general fund appropriation for disparity grants by this amount, contingent on enactment of this bill. Future years reflect continued savings from capping the disparity grant program.

Local Effect: As proposed by the Department of Budget and Management, disparity grant aid for Prince George's, Wicomico, and Cecil counties declines by $1.4 million, $710,348, and $7,464, respectively, in fiscal 2016. However, the bill requires that the capped grants be allocated proportionately, which reduces aid to Baltimore City by $17.4 million and increases grants to the other eligible counties. **Exhibit 9** displays the fiscal 2016 impact, by jurisdiction, of capping disparity grants under both scenarios.

Program Description: Disparity grants address the difference in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for most counties. A county with per capita taxable income of less than 75% of the statewide average receives a grant, unless that county has an income tax rate below 2.4%. Aid received by a county equals the dollar amount necessary to raise the county's per capita income tax revenues to 75% of the statewide average, assuming a 2.54% tax rate, but is capped at the greater amount of disparity grant aid the county received in fiscal 2010 or a proportional floor based on the local income tax rate in that county.

Recent History: The Budget Reconciliation and Financing Act of 2009 capped disparity grants for each county at the fiscal 2010 level. The Budget Reconciliation and Financing Act of 2013 allowed eligible counties to receive a proportion of the grant based on the local income tax rate in that county. The provisions in this bill repeal these changes and establish a new cap.

Exhibit 9
Impact of HB 72/SB 57 on Disparity Grant Allocations
Fiscal 2016

County	Department of Budget and Management Proposal	Proportional Allocation
Allegany		$1,551,183
Anne Arundel		
Baltimore City		(17,445,219)
Baltimore		
Calvert		
Caroline		924,543
Carroll		
Cecil	(7,464)	812,259
Charles		
Dorchester		1,016,465
Frederick		
Garrett		175,852
Harford		
Howard		
Kent		
Montgomery		
Prince George's	(1,393,523)	4,972,598
Queen Anne's		
St. Mary's		
Somerset		282,826
Talbot		
Washington		4,012,110
Wicomico	(710,348)	1,586,049
Worcester		
Total	**($2,111,335)**	**($2,111,335)**

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 1 (pp. 20-21)

Analysis prepared by: Jordan D. More

Maryland State Arts Council

Provision in the Bill: Reduces the general fund appropriation for the Maryland State Arts Council (MSAC) to $15,418,942 in fiscal 2016.

Agency: Department of Business and Economic Development

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp		($1.4)	($1.4)	($1.5)	($1.5)	($1.6)

State Effect: Mandated general fund expenditures decrease by $1,361,571 in fiscal 2016 based on the amount the Governor would otherwise be required to provide ($16,780,513). The Governor's proposed fiscal 2016 budget reduces the general fund appropriation for MSAC by this amount, contingent on the enactment of legislation reducing the required appropriation to MSAC. Future years reflect continued general fund savings due to the statutory growth factor being applied to a lower base.

Program Description: MSAC is a 17-member State agency established in 1967. The council's mission is to encourage and invest in the advancement of the arts for the people of the State, which the council accomplishes largely through grants to arts organizations and local arts agencies. The council also makes grants to enhance the availability of artists in public schools, further the creative work of individual artists, and support the preservation of folk and traditional arts. By statutory mandate, the Governor is required to appropriate general funds to the council that increase each year by the expected percentage of growth in general fund revenues. The MSAC mandated funding was last rebased in fiscal 2011 and 2012.

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

Analysis prepared by: Stephen M. Ross

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 Impact:	*(in dollars)* **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). The Governor's proposed fiscal 2016 budget reduces the general fund appropriation for the Cybersecurity Investment Incentive Tax Credit program by this amount, contingent on enactment of legislation reducing the required appropriation. 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 (pp. 24-25)

Analysis prepared by: Stephen M. Ross

Abandoned Property Notification Procedures

Provisions in the Bill: Repeal a requirement that the Comptroller publish notice of abandoned property accounts in local newspapers of general circulation. The Comptroller's Office is instead required to maintain an abandoned property database and publish notification of abandoned property accounts on a website. The Comptroller must publish notice of the website at least once each quarter in local newspapers of general circulation.

Agency: Comptroller's Office

Type of Action: Mandate relief

Fiscal Impact:	*(in dollars)* **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Rev	$0	$580,000	$580,000	$580,000	$580,000	$580,000
SF Exp	$0	($580,000)	($580,000)	($580,000)	($580,000)	($580,000)

State Effect: Beginning in fiscal 2016, special fund expenditures decrease by $580,000 annually due to the modification of the newspaper advertising requirement. The Governor's proposed fiscal 2016 budget includes a $580,000 special fund expenditure decrease, contingent on enactment of legislation to repeal the current notification procedures for abandoned property. It is anticipated that general fund revenues increase by a corresponding dollar amount when, as required by statute, the special fund balance is transferred to the general fund at year-end. As the Comptroller's Office already maintains a database, there is no additional expenditure impact.

Program Description: The Comptroller's Office is required to publish the names of newly reported owners of property presumed abandoned within 365 days of the filing of the report by the holder of the abandoned property, if the property has a value of at least $100. Notice of property valued at $100 or less is not required to be published unless the Comptroller's Office considers publication to be in the public interest.

Recent History: These provisions were included in the proposed budget reconciliation legislation in 2010 through 2013 but were removed from the bills prior to final passage.

Location of Provisions in the Bill: Section 1 (pp. 5-6)

Analysis prepared by: Sasika Subramaniam

Maryland Health Insurance Plan Fund

Provision in the Bill: Authorizes 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 $45,000,000 or the nonfederal share of the Medicare or Medicaid programs.

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**
GF Exp	($45.0)	$0	$0	$0	$0	$0
SF Exp	$45.0	$0	$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 Governor's proposed fiscal 2016 budget alters the fiscal 2015 Medicaid deficiency appropriation by reducing general funds by $45.0 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.

Following the proposed fund swap, the MHIP Fund balance is anticipated to be $133.0 million. Though not articulated in the bill, the intent is to only use that portion of the MHIP Fund balance that was not derived from Medicaid and Medicare.

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 formal reinsurance program has been adopted, it is estimated that a reinsurance program could cost $30.0 million to $40.0 million annually.

Location of Provision in the Bill: Section 6 (pp. 29-30)

Analysis prepared by: Simon G. Powell

Medicaid Deficit Assessment

Provision in the Bill: Delays to fiscal 2017 the requirement that the Governor reduce the budgeted Medicaid Deficit Assessment by the full amount of hospital inpatient and outpatient general fund Medicaid savings from implementation of the new Medicare all-payor model contract.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

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

State Effect: This provision allows the Governor's proposed 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 $375,325,000 that was anticipated under current law. As a result, special fund revenues and expenditures increase by $14,500,000 and general fund expenditures decrease by $14,500,000. The Governor's proposed fiscal 2016 budget reduces the Medicaid general fund appropriation by $14,500,000, contingent on enactment of legislation removing the requirement that the Medicaid Deficit Assessment be reduced. General fund expenditures may increase and special fund revenues and expenditures may decrease in fiscal 2017, to the extent that savings from implementation of the new Medicare all-payor model contract that are not accounted for in fiscal 2016 are captured in fiscal 2017.

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

Analysis prepared by: Simon G. Powell

Video Lottery Terminal Local Impact Grants

Provisions in the Bill: Authorize the transfer of $4,073,964 in fiscal 2015, and $3,887,697 in fiscal 2016, from video lottery terminal (VLT) local impact grants to the Education Trust Fund (ETF).

Agencies: Maryland State Department of Education (MSDE); Department of Labor, Licensing, and Regulation (DLLR)

Type of Action: Fund swap

Fiscal Impact:	***($ in millions)*** **FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	($4.1)	($3.9)	$0	$0	$0	$0
SF Exp	($4.1)	($3.9)	$0	$0	$0	$0
SF Exp	$4.1	$3.9	$0	$0	$0	$0

State Effect: Special fund expenditures for DLLR decrease by $4.1 million in fiscal 2015 and $3.9 million in fiscal 2016 due to the transfers. General fund expenditures for MSDE decline and special fund expenditures from ETF increase by corresponding amounts. The Governor's proposed fiscal 2016 budget reduces DLLR special fund expenditures by $4.1 million in fiscal 2015 and $3.9 million in fiscal 2016. The fiscal 2016 reduction is contingent on enactment of legislation transferring $3.9 million in VLT revenue for local impact grants to ETF. The Governor's proposed fiscal 2016 budget also increases special fund expenditures from ETF and reduces general fund expenditures by $4.1 million in fiscal 2015 and $3.9 million in fiscal 2016, contingent on enactment of legislation transferring VLT revenue for local impact grants to ETF.

Local Effect: As shown in **Exhibit 10**, VLT local impact grants decrease by $4.1 million (11.1%) in fiscal 2015, and $3.9 million (10.0%) in fiscal 2016, as a result of the transfers. After the transfers, an estimated $32.8 million remains for VLT local impact grants in fiscal 2015, and $35.0 million in fiscal 2016.

Program Description: Local impact grants generally go to communities surrounding a video lottery facility for infrastructure improvements, facilities, public safety, sanitation, economic and community development, and other public service improvements.

Recent History: VLT local impact grants were created by Chapter 4 of the 2007 special session, which dedicated a portion (generally 5.5%) of gross VLT revenues to local impact grants. Chapter 1 of the 2012 second special session made some alterations to VLT local impact grants. The Budget Reconciliation and Financing Act of 2014 required, in fiscal 2015 through 2019, that $500,000 in local VLT local impact grants be distributed as horse racing impact aid to Anne Arundel County, Howard County, and the City of Laurel to help pay for facilities and services in communities within three miles of Laurel Race Course.

Exhibit 10
Distribution of Video Lottery Terminal Local Impact Grants
Under HB 72/SB 57
($ in Thousands)

	Fiscal 2015		Fiscal 2016	
	Transfer to ETF	**Grant After Transfer**	**Transfer to ETF**	**Grant After Transfer**
Allegany	($133)	$1,073	($110)	$987
Anne Arundel	(2,027)	16,304	(1,808)	16,273
Baltimore City	(644)	5,184	(787)	7,080
Pimlico	(447)	3,592	(412)	3,706
Cecil	(401)	3,229	(372)	3,351
Howard	(10)	79	(9)	80
Laurel	(6)	48	(5)	48
Prince George’s	(111)	889	(100)	900
Worcester	(295)	2,370	(285)	2,565
Total	**($4,074)**	**$32,768**	**($3,888)**	**$34,990**

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 11 (p. 31)

Analysis prepared by: Heather N. Ruby

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 Impact:	*($ in millions)* **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 Governor's proposed 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 Governor's proposed 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 5 (p. 29)

Analysis prepared by: Jason A. Kramer

Watershed Implementation Plan

Provision in the Bill: Requires that the Governor's mandated appropriations in fiscal 2015 through 2019 for the Watershed Implementation Plan (WIP) be included in the annual operating or capital budget of the Maryland Department of Transportation (MDOT) rather than in the State's operating or capital budget and then going to the State Highway Administration (SHA).

Agency: Maryland Department of Transportation

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)	($85.0)	($100.0)	($100.0)	$0
SF Exp	$0	$65.0	$85.0	$100.0	$100.0	$0

State Effect: In effect, the provision requires the mandated appropriations for WIP to come from the Transportation Trust Fund (TTF) rather than solely from the general fund or general obligation (GO) bond expenditures. The Governor's proposed fiscal 2016 capital budget includes a $65.0 million GO bond authorization that is eliminated, contingent on enactment of this provision. Thus, GO bond expenditures decrease by $65.0 million in fiscal 2016. General fund/GO expenditures decrease by a total of $285.0 million in fiscal 2017 through 2019. 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 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 1 (p. 27)

Analysis prepared by: Steven D. McCulloch

Waterway Improvement Fund

Provisions in the Bill: Authorize the transfer of $2,180,000 from the Waterway Improvement Fund (WIF) to the general fund in fiscal 2015; authorize the Department of Natural Resources (DNR) to use up to $1,625,000 in funds from WIF for administrative expenses for fiscal 2016 only.

Agency: Department of Natural Resources

Type of Action: Fund swap; fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**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 Governor's proposed 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.

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 and 8 (pp. 21-22 and 30)

Analysis prepared by: Andrew D. Gray

State Employee Salary Adjustments

Provision in the Bill: Prohibits increments and general salary increases for State employees in fiscal 2016, excluding (1) the salaries of constitutional officers or members of the General Assembly or (2) increases necessary for the retention of faculty in the University System of Maryland, Morgan State University, or St. Mary's College of Maryland.

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 proposed fiscal 2016 budget removes increments from the Executive Branch agencies for fiscal 2016. Although the Administration is not authorized to reduce the budgets of the Legislature or Judiciary, the budget assumes general fund reversions for increments from the Judiciary. Increments were not included in the budget request for the Legislature. With respect to higher education, general funds for increments are reduced; thus, any increases necessary for the retention of faculty must be supported by other revenues available to the institutions. As general salary increases are subject to the availability of funds and no such funding is provided, prohibiting a general salary increase has no fiscal effect. If provided, a 1% general salary increase costs $149.1 million (total funds) in fiscal 2016.

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; however, the Governor's proposed fiscal 2016 budget removes the increase in fiscal 2016, effectively making it a one-time payment.

Location of Provision in the Bill: Section 4 (p. 29)

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 enact policies that generate general fund Medicaid savings of at least $8,000,000 in fiscal 2015 and $16,700,000 in fiscal 2016. If the policies fail to achieve the required savings, HSCRC must take alternative actions to achieve sufficient savings.

Agency: Department of Health and Mental Hygiene

Type of Action: Cost control

Fiscal	*($ in millions)*					
Impact:	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
GF Exp	($8.0)	($16.7)	($16.7)	($16.7)	($16.7)	($16.7)
FF Rev	($10.0)	($20.8)	($20.8)	($20.8)	($20.8)	($20.8)
FF Exp	($10.0)	($20.8)	($20.8)	($20.8)	($20.8)	($20.8)

State Effect: Medicaid general fund expenditures decline by at least $8.0 million in fiscal 2015 and $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 lower hospital billing rates for Medicare and Medicaid. If those billing changes still do not generate sufficient savings, HSCRC must increase the Medicaid Deficit Assessment. The Governor's proposed fiscal 2016 budget assumes $8.0 million in general fund savings in fiscal 2015 and $16.7 million in savings in fiscal 2016 from this provision. 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 (pp. 28-29)

Analysis prepared by: Simon G. Powell

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 June 30, 2014.

Agency: Maryland State Department of Education

Type of Action: Cost control

Fiscal Impact:	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)					
GF Exp	$0	($3.4)	($3.5)	($3.6)	($3.6)	($3.7)

State Effect: Reducing provider rates for nonpublic placements to the fiscal 2014 amount results in approximately $3.4 million in general fund savings in fiscal 2016. This reflects rolling back the 1.5% increase in provider rates that was initially provided in fiscal 2015 and assumes a 1.5% provider rate 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 withdraws $376,995 from the fiscal 2015 appropriation to reflect a reduction in nonpublic placement provider rates to the fiscal 2014 level for the last quarter of the fiscal year. The fiscal 2016 allowance for nonpublic placements is funded at the fiscal 2014 level, meaning no actual savings are realized in the budget. 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 1.0%. Budget reconciliation legislation enacted in 2010 (Chapter 484) and 2011 (Chapter 397) prohibited any increases in the fiscal 2011 and 2012 rates paid to these providers, while budget reconciliation legislation enacted in 2012 (Chapter 1 of the 2012 first special session) limited the rate increase to 1.0% 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 2 (p. 29)

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 June 30, 2014.

Agencies: Department of Human Resources (DHR); Department of Juvenile Services (DJS)

Type of Action: Cost control

Fiscal Impact:	*($ in thousands)* FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Exp	$0	($2,051)	($2,092)	($2,134)	($2,177)	($2,220)
SF Exp	$0	($45)	($46)	($47)	($48)	($49)
FF Exp	$0	($467)	($476)	($486)	($496)	($505)

State Effect: General, special, and federal fund expenditures decline for DJS and DHR in fiscal 2016. The Governor's proposed fiscal 2016 budget includes reductions to general ($806,661), special ($44,916), and federal funds ($59,924) for DJS, contingent on enactment of legislation to cap the residential provider rate increase. 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 $1.2 million in general funds and $407,008 in federal funds) are likely reinvested in child welfare services. Future years reflect continued savings, assuming 2% annual inflation.

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 Mental Hygiene, 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 Governor's proposed 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 3 (p. 29)

Analysis prepared by: Richard H. Harris

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	0	0	0	0
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	0	0	0	0	0
State Police Helicopter Replacement Fund	269,741	0	0	0	0	0
Abandoned Property Notification Procedures	0	580,000	580,000	580,000	580,000	580,000
Maryland Health Benefit Exchange	0	1,498,276	493,224	0	0	0
Refundable Earned Income Tax Credit	0	2,298,000	2,446,000	2,393,999	2,520,000	2,570,000
Film Production Activity Tax Credit	0	683,763	0	0	0	0
TOTAL GENERAL FUND REVENUES	**153,253,241**	**47,255,121**	**3,519,224**	**2,973,999**	**3,100,000**	**3,150,000**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GENERAL FUND EXPENDITURES						
Mandate Relief						
Limiting Mandate Growth	0	0	(12,752,825)	(32,714,871)	(68,600,541)	(94,826,060)
Target per Pupil Foundation Amount	0	(64,715,428)	(105,797,235)	(175,755,299)	(252,397,246)	(330,727,132)
Net Taxable Income Adjustments	0	(11,910,705)	(12,100,765)	(12,244,218)	0	0
Cade Funding Formula for Local Community College Aid	0	(13,045,513)	0	0	0	0
Sellinger Program for Independent Colleges and Universities	0	(6,461,675)	0	0	0	0
Maryland Library for the Blind and Physically Handicapped	0	(2,227,752)	(2,067,077)	(1,885,780)	(1,683,404)	(1,413,660)
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)
Deaf Culture Digital Library	0	(232,672)	(237,514)	(245,553)	(253,913)	(262,608)
DDA Reimbursement to Community Service Providers	0	(9,152,894)	(9,975,997)	(10,823,956)	(11,743,993)	(12,660,024)
Core Public Health Services Funding Formula	0	(7,841,378)	(8,060,937)	(8,278,582)	(8,535,218)	(8,816,880)
Statewide Academic Health Center Cancer Research Grants	0	(7,200,000)	(7,200,000)	(7,200,000)	(7,200,000)	(7,200,000)
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)	(-)	(-)	(-)	(-)
Maryland Park Service - Payment in Lieu of Taxes	0	(2,213,953)	0	0	0	0
State Aid for Police Protection	0	(3,720,710)	0	0	0	0
Local Income Tax Disparity Grants	0	(2,111,335)	(3,725,119)	(5,419,591)	(7,198,787)	(9,066,943)
Maryland State Arts Council	0	(1,361,571)	(1,415,547)	(1,468,014)	(1,512,936)	(1,570,055)
Cybersecurity Investment Incentive Tax Credit	0	(500,000)	0	0	0	0
Subtotal -- Mandate Relief	***0***	***(186,140,131)***	***(169,436,527)***	***(262,542,495)***	***(366,287,123)***	***(472,738,814)***

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Fund Swaps and Cost Shifts						
Maryland Health Insurance Plan Fund	(45,000,000)	0	0	0	0	0
Medicaid Deficit Assessment	0	(14,500,000)	-	0	0	0
Video Lottery Terminal Local Impact Grants	(4,073,964)	(3,887,697)	0	0	0	0
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	***(49,073,964)***	***(21,662,697)***	***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	(8,000,000)	(16,700,000)	(16,700,000)	(16,700,000)	(16,700,000)	(16,700,000)
Providers of Nonpublic Placements	0	(3,414,960)	(3,483,259)	(3,552,924)	(3,623,983)	(3,696,463)
Rates for Residential Child Care Group Homes	0	(2,051,034)	(2,092,055)	(2,133,896)	(2,176,574)	(2,220,105)
Subtotal -- Cost Control and Administrative Measures	***(8,000,000)***	***(104,526,284)***	***(104,635,604)***	***(104,747,110)***	***(104,860,847)***	***(104,976,858)***
Other						
Local Income Tax Reserve Account	0	100,000,000	0	0	0	0
Subtotal -- Other	***0***	***100,000,000***	***0***	***0***	***0***	***0***
TOTAL GENERAL FUND EXPENDITURES	**(57,073,964)**	**(212,329,112)**	**(274,072,130)**	**(367,289,605)**	**(471,147,969)**	**(577,715,671)**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
SPECIAL FUND REVENUES						
Medicaid Deficit Assessment	0	14,500,000	(-)	0	0	0
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)**	**4,017,618**	**0**	**0**	**0**	**0**

SPECIAL FUND EXPENDITURES						
Limiting Mandate Growth	0	0	(111,053,281)	(67,878,657)	(142,311,588)	(154,497,316)
State Employee Salary Adjustments	0	(12,914,334)	(12,914,334)	(12,914,334)	(12,914,334)	(12,914,334)
Maryland Health Benefit Exchange	0	(1,498,276)	(493,224)	0	0	0
DDA Reimbursement to Community Service Providers	0	(6,181)	0	0	0	0
Maryland Health Insurance Plan Fund	45,000,000	0	0	0	0	0
Medicaid Deficit Assessment	0	14,500,000	(-)	0	0	0
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	(1,600,000)	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	85,000,000	100,000,000	100,000,000	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
Abandoned Property Notification Procedures	0	(580,000)	(580,000)	(580,000)	(580,000)	(580,000)
TOTAL SPECIAL FUND EXPENDITURES	**43,400,000**	**21,379,231**	**(7,620,652)**	**18,580,278**	**(55,853,587)**	**(168,040,269)**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
FEDERAL FUND REVENUES						
Hospital Uncompensated Care Savings	(10,000,000)	(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
TOTAL FEDERAL FUND REVENUES	**0**	**(30,800,000)**	**(20,800,000)**	**(20,800,000)**	**(20,800,000)**	**(20,800,000)**
FEDERAL FUND EXPENDITURES						
Limiting Mandate Growth	0	0	(2,202,229)	(6,194,871)	(13,893,761)	(14,977,474)
State Employee Salary Adjustments	0	(8,386,038)	(8,386,038)	(8,386,038)	(8,386,038)	(8,386,038)
Hospital Uncompensated Care Savings	(10,000,000)	(20,800,000)	(20,800,000)	(20,800,000)	(20,800,000)	(20,800,000)
DDA Reimbursement to Community Service Providers	0	(7,259,616)	(7,838,283)	(8,504,537)	(9,227,423)	(9,947,162)
Rates for Residential Child Care Group Homes	0	(466,932)	(476,271)	(485,796)	(495,512)	(505,422)
TOTAL FEDERAL FUND EXPENDITURES	**(10,000,000)**	**(36,912,586)**	**(39,702,821)**	**(44,371,242)**	**(52,802,734)**	**(54,616,096)**
OTHER FUNDS EXPENDITURES						
Watershed Implementation Plan (GO Bond)	0	(65,000,000)	0	0	0	0
Watershed Implementation Plan (GO Bond/GF)	0	0	(85,000,000)	(100,000,000)	(100,000,000)	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)**	**(128,699,000)**	**(143,699,000)**	**(143,699,000)**	**(43,699,000)**

Appendix C
Reductions in Local Revenues and State Aid Under Selected Provisions of HB 72/SB 57 of 2015
Fiscal 2016
($ in Dollars)

	Target per Pupil Foundation	Net Taxable Income Adjustment Grants	Cade Formula	Program Open Space Local	Core Public Health Formula	State Aid for Police Protection	Library Formula	Payment In Lieu of Taxes
Allegany	($830,083)	($373,866)	($334,416)	($141,913)	($157,087)		($38,291)	($198,392)
Anne Arundel	(4,140,285)	(606,592)	(1,861,008)	(1,510,311)	(740,565)	($89,434)	(106,240)	(276,732)
Baltimore City	(10,010,543)	(226,942)		(1,354,370)	(1,660,183)		(310,370)	
Baltimore	(7,708,873)		(2,194,928)	(1,708,529)	(1,056,127)	(2,744,228)	(280,339)	(175,932)
Calvert	(974,333)	(278,695)	(135,117)	(149,666)	(21,291)	(6,317)	(20,482)	(4,788)
Caroline	(548,632)	(191,019)	(80,720)	(66,442)	(56,414)	(8,228)	(14,144)	(53,813)
Carroll	(1,596,489)	(509,280)	(413,871)	(339,187)	(237,734)		(46,715)	(17,119)
Cecil	(1,245,031)	(513,863)	(311,801)	(174,855)	(128,900)	(19,713)	(37,451)	(81,662)
Charles	(1,994,866)	(909,071)	(462,555)	(307,740)	(178,631)	(23,842)	(48,794)	(15,890)
Dorchester	(445,470)	(134,540)	(60,160)	(56,697)	(31,245)	(2,713)	(13,359)	
Frederick	(2,890,709)	(398,689)	(505,935)	(350,811)	(311,076)	(26,420)	(68,473)	(121,191)
Garrett	(206,911)	(103,594)	(144,724)	(69,869)	(32,526)		(6,909)	(281,533)
Harford	(2,490,266)	(755,822)	(618,640)	(502,540)	(369,351)	(14,628)	(74,737)	(124,647)
Howard	(2,796,032)	(142,431)	(899,857)	(890,916)	(241,266)	(110,483)	(44,469)	(77,870)
Kent	(39,568)		(29,265)	(42,267)	(6,621)	(1,814)	(4,118)	
Montgomery	(7,764,591)		(2,282,512)	(2,243,993)	(736,238)	(313,622)	(148,435)	(93,592)
Prince George's	(12,678,798)	(5,020,845)	(1,484,108)	(1,930,773)	(1,239,904)	(273,807)	(353,244)	(11,618)
Queen Anne's	(399,118)	(97,887)	(90,078)	(90,303)	(27,723)	(2,584)	(7,096)	(12,513)
St. Mary's	(1,194,506)	(394,989)	(147,287)	(170,205)	(128,321)	(11,170)	(32,023)	(114,817)
Somerset	(306,010)	(105,543)	(43,299)	(40,869)	(29,448)	(2,847)	(14,108)	(44,693)
Talbot	(151,904)		(85,457)	(94,708)	(4,951)		(5,538)	
Washington	(1,939,985)	(675,004)	(431,464)	(267,238)	(273,718)		(61,191)	(112,209)
Wicomico	(1,496,987)	(472,033)	(301,686)	(178,526)	(163,019)	(38,800)	(49,399)	
Worchester	(217,548)		(126,629)	(168,501)	(9,039)	(30,060)	(7,537)	(394,942)
Unallocated	(139,007)							
Total	**($64,206,545)**	**($11,910,705)**	**($13,045,515)**	**($12,851,229)**	**($7,841,378)**	**($3,720,710)**	**($1,793,462)**	**($2,213,953)**

Appendix C – Continued

	Video Lottery Terminal Local Impact Grants	Local Income Tax Disparity Grants	Total
Allegany	($110,000)		($2,184,048)
Anne Arundel	(1,808,000)		(11,139,167)
Baltimore City	(1,199,000)		(14,761,408)
Baltimore			(15,868,956)
Calvert			(1,590,689)
Caroline			(1,019,413)
Carroll			(3,160,395)
Cecil	(372,000)	($7,464)	(2,892,740)
Charles			(3,941,388)
Dorchester			(744,184)
Frederick			(4,673,304)
Garrett			(846,066)
Harford			(4,950,631)
Howard	(9,000)		(5,212,324)
Kent			(123,653)
Montgomery			(13,582,982)
Prince George's	(100,000)	(1,393,523)	(24,486,620)
Queen Anne's			(727,301)
St. Mary's			(2,193,318)
Somerset			(586,816)
Talbot			(342,558)
Washington			(3,760,809)
Wicomico		(710,348)	(3,410,798)
Worchester	(285,000)		(1,239,256)
Unallocated	(5,000)		(144,007)
Total	**($3,888,000)**	**($2,111,335)**	**($123,582,832)**

Note: The reduction to Program Open Space Local in fiscal 2015 can be found on page 52.
Unallocated funds under Video Lottery Terminal Local Impact Grants includes a $5,000 reduction for the City of Laurel; the $412,000 reduction for Pimlico is included in the Baltimore City amount.

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
Authorizing the transfer of funds received from the repayment of loans from the Sunny Day Fund to the GF	None

Provision	Small Business Impact
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