

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 152

(The Speaker)(By Request - Administration)

Appropriations

Budget and Taxation

Budget Reconciliation and Financing Act of 2017

This Administration bill executes actions to enhance revenues, provide mandate relief, and reduce future year general fund expenditures. The bill also increases operating grants for the new Prince George's County Regional Medical Center and clarifies existing mandates.

The bill generally takes effect June 1, 2017.

Fiscal Summary

State Effect: General fund revenues increase by \$221.0 million in FY 2017, primarily due to transfers. In FY 2018, general fund revenues increase by \$15.7 million from a fund swap, while special fund revenues decline by \$41.3 million, mainly due to repeal of mandated supplemental pension contributions. General fund expenditures decline by \$183.7 million in FY 2018, due to mandate relief, fund swaps, and other actions. Special fund expenditures increase by \$1.1 million in FY 2017 and by \$14.6 million in FY 2018, primarily from deferral of a reduction in the Medicaid Deficit Assessment to FY 2019. Federal and general obligation (GO) bond funds are also affected. Future year estimates reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations and establishes new mandated appropriations for FY 2022 through 2028.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	\$221.0	\$15.7	\$0	\$0	\$0
SF Revenue	(\$0.5)	(\$41.3)	\$25.4	\$19.6	\$19.9
FF Revenue	(\$1.0)	\$0.2	\$0.2	\$0.2	\$0.2
GF Expenditure	(\$2.4)	(\$183.7)	(\$16.1)	(\$7.3)	\$9.0
SF Expenditure	\$1.1	\$14.6	\$28.1	\$22.1	\$22.3
FF Expenditure	(\$1.0)	(\$1.9)	\$0.2	\$0.5	\$0.6
Bond Exp.	(\$0.1)	(\$19.6)	\$3.0	\$59.2	\$3.0
Net Effect	\$222.0	\$165.2	\$10.4	(\$54.7)	(\$14.8)

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

Local Effect: Direct State aid is reduced by a total of \$13.6 million in FY 2018, including \$10.0 million for public schools, \$2.4 million in local income tax disparity grants, \$0.7 million in core public health funding, and \$0.5 million in grants for police aid. State retirement aid to local jurisdictions is reduced by a total of \$37.7 million in FY 2018. Revenues for Baltimore City Public Schools (BCPS) increase by \$4.6 million and expenditures for BCPS decrease by \$5.5 million in FY 2018 only; Baltimore City expenditures increase by \$5.5 million in FY 2018 only.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached as page 66). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: A brief overview of the bill's provisions is provided below. In general, the bill's actions enhance revenues and transfer funds, provide mandate relief, require fund swaps and cost shifts, and implement cost control and other administrative measures. The bill also establishes new mandates as specified below.

Revenue Enhancements and Transfers to the General Fund

- Authorizes transfer of up to \$170.0 million from the Revenue Stabilization Account (Rainy Day Fund) to the general fund in fiscal 2017.
- Authorizes transfer of \$30.0 million from University System of Maryland fund balances to the general fund in fiscal 2017.
- Requires the Comptroller to transfer up to \$12.0 million from the Consumer Protection Recoveries from the Volkswagen Clean Diesel Settlement and up to \$12.0 million from the Consumer Protection Recoveries from the Moody's Corporation settlement to the general fund in fiscal 2017 under specified conditions.
- Authorizes the transfer of \$2.5 million from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2017.

Mandate Relief

- Repeals the requirement, for fiscal 2018, that the Governor include an appropriation of up to \$50.0 million to the State Retirement and Pension System trust fund.
- Reduces the fiscal 2018 appropriation for the Rainy Day Fund by \$40.0 million.
- Authorizes the Governor to use general funds or GO bonds to provide existing mandated appropriations to the Strategic Demolition and Smart Growth Impact Fund in fiscal 2018 and 2019.

- Delays to fiscal 2019 the ongoing requirement that the Governor reduce the Medicaid Deficit Assessment to \$25.0 million below the assessment level for the prior year; increases, for fiscal 2019 and 2020 only, the required reduction to \$35.0 million; and specifies the amount that the budgeted assessment must be for fiscal 2018 through 2020.
- Authorizes mandated funding for the Baltimore Regional Neighborhood Initiative Program to be provided through the operating or capital budget in fiscal 2018 through 2022.
- Reduces the minimum grant amount of the disparity grant calculation to be provided in fiscal 2018 only for counties with a tax rate of at least 3.2%.
- Reduces the fiscal 2018 mandated appropriation for the Public School Opportunities Enhancement Program from \$7.5 million to \$2.5 million.
- Reduces the fiscal 2018 mandated appropriation for the Teacher Induction, Retention, and Advancement Pilot Program from \$5.0 million to \$2.1 million.
- Authorizes mandated funding for the Seed Community Development Anchor Institution Fund to be provided through the operating or capital budget.
- Reduces the maximum State match for stipends for teachers who hold National Board Certification and work in a comprehensive needs school from \$4,000 to \$2,000 for fiscal 2018 only.
- Reduces the maximum State match for stipends for specified Anne Arundel County Public Schools classroom teachers from \$1,500 to \$750 for fiscal 2018 only.
- Authorizes mandated funding for the Shelter and Transitional Housing Facilities Grant Program to be provided through the operating or capital budget and specifies the mandated funding level as \$3.0 million (rather than at least \$3.0 million).
- Reduces the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program from \$5.0 million to \$2.5 million and defers funding of the remaining \$2.5 million to fiscal 2019.
- Reduces the Core Public Health Services funding formula to the fiscal 2017 level for fiscal 2018 and rebases the formula beginning in fiscal 2019.
- Reduces the total amount of grants provided under the State Aid for Police Protection formula to \$73.7 million (the fiscal 2017 funding level) for fiscal 2018.
- Reduces the amount of State Lottery revenues the Comptroller must distribute to the horse racing special fund from \$1.0 million to \$500,000 in fiscal 2017.

Fund Swaps and Cost Shifts

- Authorizes, for fiscal 2017 and 2018 combined, the Maryland Department of the Environment to use up to \$60.0 million of revenue bond proceeds and the funds in the Bay Restoration Fund for biological nutrient removal upgrades of wastewater treatment plants.

- Requires that fiscal 2018 revenue from video lottery terminals for the Small, Minority, and Women-Owned Businesses Account (SMWOBA) instead be dedicated to the general fund to pay for grants to specified school systems in fiscal 2018.
- In fiscal 2019 and 2020, requires revenues that would otherwise go to SMWOBA to instead be dedicated to the Education Trust Fund.
- Authorizes the Maryland Community Health Resources Commission Fund, in fiscal 2018 only, to be used for mental health services for the uninsured under specified circumstances.
- Allows excess funds from the Senior Prescription Drug Assistance Program Fund to be used, in fiscal 2018 only, for the benefit of the Kidney Disease Program or community mental health services to the uninsured and without authorization by budget amendment.
- Requires the Governor, in fiscal 2019 through 2021, to provide \$5.0 million to the Economic Development Opportunities Program Account (Sunny Day Fund) to provide conditional loans or grants to specified companies (aligning with the need for the funding, rather than providing it all in a fiscal 2017 deficiency appropriation).
- For fiscal 2018 only, prohibits the Comptroller from withholding \$4.6 million from the General State School Fund for the Baltimore City Board of School Commissioners; instead requires the Maryland Stadium Authority to credit \$4.6 million of the fund balance of the Baltimore City Public School Construction Facilities Fund to the Baltimore City Public School Construction Financing Fund to satisfy a portion of the required fiscal 2018 contribution to the financing fund from BCPS.

Mandate Clarification, Cost Control, and Other Administrative Measures

- Authorizes the Department of Health and Mental Hygiene to charge the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) an indirect cost assessment of up to 30.5% of salaries.
- Increases the user fee caps for both MHCC and HSCRC from \$12.0 million to \$16.0 million.
- Clarifies that \$1.0 million of the revenue from the admissions and amusement tax from certain electronic bingo machines is to be allocated to the Maryland State Arts Council (MSAC), with the remainder allocated to the Special Fund for the Preservation of Cultural Arts; clarifies that the additional funds are to be included in the calculation of the mandated increase in general funds MSAC through fiscal 2021.
- Allocates a portion of the admissions and amusement tax revenue accruing to the Special Fund for the Preservation of Cultural Arts to a grant for the Arts Council of Anne Arundel County beginning in fiscal 2019.

- Authorizes the use of the special funds under MSAC to be used for grants to specific cultural and arts organizations in fiscal 2018.
- Requires the Governor to include in the State budget an appropriation to the Maryland Park Service equal to 100% of own-sourced revenues collected in the Forest or Park Reserve Fund from the second preceding fiscal year, less any administrative costs and prior-year closing fund balance.
- Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee to no more than 2.0% over the rates in effect on June 30, 2017.
- Expands existing legislative review of any programmatic change that results from a federal block grant; adds a time-limited provision requiring additional review of specified programmatic changes to Medicaid and the Supplemental Nutrition Assistance Program.
- Establishes a staggered, triennial review cycle for interagency agreements that have been in place for three or more years and have cumulative expenditures exceeding \$750,000 in the last three fiscal years; requires the Department of Budget and Management (DBM) to submit specified annual summary reports.
- Clarifies and specifies the information DBM must publish in the annual printed budget books; requires DBM to publish budget, personnel, and agency performance data included in the budget books on the DBM website.
- Prohibits the *Consolidated Transportation Program* from including capital transportation grants for roads and highways to counties or municipal corporations for any period beyond the budget request year.
- Specifies, for the period beyond the budget request year, that the Transportation Trust Fund forecast (1) must maximize the use of funds for the capital program and (2) may not withhold or reserve funds for capital transportation grants to counties or municipal corporations.
- Requires the Comptroller to administer the Maryland Emergency Medical System Operations Fund, including accounting for all transactions and performing year-end reconciliation.
- Authorizes the Governor to transfer \$3.0 million from the Jane E. Lawton Conservation Fund to the State Agency Loan Program Fund in fiscal 2017.
- Requires \$187,500 from the fiscal 2017 special fund appropriation for the Department of Housing and Community Development related to administrative fees to be transferred to the Department of Commerce for distribution to SMWOBA.
- Requires \$1.46 million in general funds from the unexpended fiscal 2017 appropriation for utilization review audit contracts in the Developmental Disabilities Administration to revert to the general fund and \$1.04 million in federal funds to be cancelled.

- Requires the unexpended fiscal 2017 appropriation for the Assistance Payments Program in the Department of Human Resources be used to reduce the fiscal 2017 deficit in the federal Temporary Assistance to Needy Families grant.
- Requires the fiscal 2017 unexpended appropriation for the Department of General Services (DGS) to be reduced by \$968,000 in general funds; authorizes DGS to process a fiscal 2017 special fund budget amendment for that amount from eMaryland Marketplace fees that were recorded as a deferred revenue at the close of fiscal 2016.
- Requires BCPS to submit specified quarterly reports to the Governor and specified committees of the General Assembly on the status of the school system's structural budget deficit and the actions that have been taken to reduce the gap between ongoing revenues and expenditures.
- Requires the Secretary of Transportation, in coordination with the Montgomery County and Prince George's County departments of transportation, to engage the Secretary's counterparts in Virginia and Washington, DC and appropriate federal officials to revisit the Washington Metropolitan Area Transit Authority Compact of 1966 and implement other reforms necessary to ensure the viability of the Washington Metropolitan Area Transit Authority.
- Requires the Board of Trustees of the Maryland Science Center to report to specified committees of the General Assembly on the long-term financial plan for the Maryland Science Center.
- Authorizes the transfer of funds between programs under the State Board of Elections in fiscal 2017 and 2018 to fund election support services; authorizes the use of the Major Information Technology Development Project Fund for operations and maintenance of the Agency Election Management System in fiscal 2018 only.
- Authorizes BCPS students, for fiscal 2018 only, to ride Maryland Transit Administration (MTA) transit vehicles at no charge for school-related or educational extracurricular activities only; authorizes highway user fee revenues distributed to Baltimore City to be used to pay for or finance MTA fares for eligible students; prohibits MTA from charging Baltimore City more than \$5,484,423 for this service for the 2017-2018 school year.
- Authorizes the Governor, by June 30, 2018, to transfer funds from the Catastrophic Event Account for (1) the Developmental Disabilities Administration to reimburse clients for specified excess contributions to care payments; (2) Maryland local public safety agencies whose federal funds have been reduced for refusing to participate in the enforcement of federal immigration laws; (3) Maryland Public Television, if the entity's federal funds are reduced or eliminated; and (4) the Home Delivered Meals Program supported by the Maryland Department of Aging, if federal funds that support the program are reduced or eliminated.

Mandates

- Alters the amount of mandated operating grants to the University of Maryland Medical System for the Prince George's County Regional Medical Center; requires the Governor to include an annual appropriation of \$10.0 million for additional operating grants in fiscal 2022 through 2028; and restructures mandated capital appropriations that the Governor must include in the capital or operating budget bill for the construction of the center in fiscal 2018 through 2020.
- Requires funding for senatorial scholarships, beginning in fiscal 2020, to grow in the same manner as funding for delegate scholarships.

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 2016, the Board of Revenue Estimates (BRE) lowered its general fund estimate for fiscal 2017 by \$13.8 million in light of revised economic assumptions and year-to-date performance. BRE also lowered the fiscal 2018 general fund revenue estimate by \$24.5 million. Taking into consideration BRE revenue projections and November 2016 Board of Public Works reductions, the Spending Affordability Committee (SAC) projected a general fund deficit of \$209.4 million at the end of fiscal 2017.

The baseline projection for fiscal 2018 reflected general fund growth of 2.9% when capital and reserve fund appropriations were included, resulting in an ending general fund deficit of \$544.1 million. In recognition of this outlook, SAC recommended that the fiscal 2018 budget should reduce the gap between the estimated ongoing general fund revenues and ongoing spending by at least 50.0%, leaving a structural deficit of no more than \$189.0 million. SAC recommended that the Rainy Day Fund balance be maintained at 5.0% of estimated revenue and authorized the use of any funds above that balance to address imminent cash shortfalls in fiscal 2017 and 2018. SAC further recommended a minimum ending balance of at least \$100.0 million in the general fund for fiscal 2018.

State Fiscal Effect: Estimates of the fiscal 2017 and 2018 impact of the bill on the State's general fund are shown in **Exhibit 1**.

In fiscal 2017, general fund revenues increase by \$221.0 million. General fund expenditures decline by \$2.4 million in fiscal 2017 due to budget actions.

In fiscal 2018, the State's general fund position improves by \$199.4 million, through a combination of mandate relief, fund swaps, and costs shifts. The two-year impact on the general fund sums to \$422.8 million.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2017
Fiscal 2017 and 2018
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>
Revenues		
Transfers	\$221.0	\$0
Fund Swaps	0	15.7
 Expenditures		
Mandate Relief	\$0.0	(\$176.7)
Mandates	0	(2.0)
Fund Swaps and Cost Shifts	0	(4.1)
Cost Control and Administrative	(2.4)	(0.9)
<i>Expenditure Subtotal</i>	<i>0</i>	<i>(183.7)</i>
General Fund Improvement	\$223.4	\$199.4

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

Source: Department of Legislative Services

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 10). The fiscal 2017 through 2022 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 2018 budget are included with the discussions. **Appendix B** (beginning on page 61) identifies the fiscal impact of separate provisions by fund type.

Local Fiscal Effect: Multiple provisions in the bill reduce local revenues and State aid to counties or increase local expenditures as discussed below. The fiscal 2018 impact by county for most such provisions is shown in **Appendix C** on page 64.

Education and Library Aid: Direct State aid for public schools is reduced by a total of \$10.0 million in fiscal 2018, as a result of reducing mandated funding for the Public School Opportunities Enhancement Program; the Teacher Induction, Retention, and Advancement Pilot Program; as well as altering two mandates relating to teacher stipends.

Other Local Aid: State aid under the local income tax disparity grant declines by \$2.4 million in fiscal 2018. Local aid under the core public health formula is reduced by \$747,276 in fiscal 2018. Local government grants for police aid are reduced by \$465,142 in fiscal 2018.

Retirement Aid: State retirement aid to local jurisdictions is reduced by a total of \$37.7 million in fiscal 2018: \$35.6 million for public schools; \$1.5 million for community colleges; and \$568,065 for libraries.

Baltimore City Public Schools: BCPS revenues increase by \$4.6 million in fiscal 2018 due to State education aid not being withheld when it otherwise would be. In addition, BCPS expenditures decrease by \$5.5 million in fiscal 2018 only as students ride MTA transit vehicles at no charge for school-related or educational extracurricular activities; instead, Baltimore City may use \$5.5 million in highway user revenues to pay MTA for the service.

Additional Information

Prior Introductions: None.

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

Information Source(s): *Spending Affordability Committee Report and Recommendations to the Governor and the Legislative Policy Committee*, December 2016; Baltimore City; Montgomery, Washington, and Worcester counties; Maryland Association of Counties; Governor's Office of Crime Control and Prevention; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; Maryland Department of Agriculture; Maryland Department of the Environment; Department of Public Safety and Correctional Services; Board of Public Works; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2017
md/ljm Revised - Correction - February 27, 2017
Enrolled - May 15, 2017
Revised - Correction - June 15, 2017

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix A – Contents

Revenue Enhancements and Transfers to the General Fund

Revenue Stabilization Account (Rainy Day Fund)	12
University System of Maryland Fund Balance Transfer	13
Volkswagen Clean Diesel and Moody’s Corporation Settlements	14
Maryland Correctional Enterprises Revolving Fund	16

Mandate Relief

Supplemental Pension Contribution (Sweeper)	17
Strategic Demolition and Smart Growth Impact Fund	19
Medicaid Deficit Assessment.....	20
Baltimore Regional Neighborhood Initiative Program.....	22
Local Income Tax Disparity Grant	23
Public School Opportunities Enhancement Program.....	24
Teacher Induction, Retention, and Advancement Pilot Program	25
Seed Community Development Anchor Institution Fund	26
Teacher Stipends	27
Shelter and Transitional Housing Facilities Grant Program	29
Next Generation Farmland Acquisition Program	30
Core Public Health Services Funding Formula	31
State Aid for Police Protection.....	32
Horse Racing Special Fund.....	33

Fund Swaps and Cost Shifts

Use of Bay Restoration Fund for Biological Nutrient Removal	34
Video Lottery Terminal Revenues.....	36
Maryland Community Health Resources Commission Fund	38
Senior Prescription Drug Assistance Program Fund	39
Economic Development Opportunities Program Account (Sunny Day Fund)	40
Baltimore City School Construction	41

Mandate Clarification, Cost Control, and Other Administrative Measures

Health Care Commissions	42
Funding for the Arts	43
Maryland Park Service	45
Block Grants and the Medicaid and Supplemental Nutrition Assistance Program.....	46
Triennial Review of Interagency Agreements and Budget Book Content.....	47
Consolidated Transportation Program.....	48
Maryland Emergency Medical System Operations Fund.....	49
Rate Increases for Providers with Rates Set by the Interagency Rates Committee	50
Fiscal 2017 Interdepartmental Transfers	51
Fiscal 2017 Budget Actions.....	52
Miscellaneous Reporting Requirements.....	54
Authorization of Funds for Election-related Purposes	55
Maryland Transit Administration – Baltimore City Public Schools Students	56
Catastrophic Event Account	57

Mandates

Prince George’s County Regional Medical Center	58
Senatorial and Delegate Scholarships.....	60

Revenue Stabilization Account (Rainy Day Fund)

Provisions in the Bill: Authorize the transfer of up to \$170,000,000 from the Revenue Stabilization Account (Rainy Day Fund) to the general fund in fiscal 2017 and reduce the fiscal 2018 appropriation for the Rainy Day Fund by \$40,000,000.

Agency: None

Type of Action: Fund balance transfer; mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Rev	\$170.0	\$0	\$0	\$0	\$0	\$0
GF Exp	\$0	(\$40.0)	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by up to \$170.0 million in fiscal 2017. General fund expenditures decrease by \$40.0 million in fiscal 2018. The fiscal 2018 budget includes a \$40.0 million general fund reduction contingent on legislation reducing the mandate. The fiscal 2017 ending balance in the Rainy Day Fund is projected to be \$832.6 million after the transfer. The fiscal 2018 fund balance is projected to be \$860.3 million, reflecting the reduced appropriation. In both fiscal years, the ending fund balances reflect 5.0% of projected general fund revenues. The Rainy Day Fund has ended each year since fiscal 2008 with a fund balance of about 5.0% of revenues.

Local Effect: None.

Program Description: The Rainy Day Fund was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. If the fund balance is between 3.0% and 7.5% of projected general fund revenues, annual appropriations of at least \$50.0 million must be made until the account balance reaches 7.5% of estimated general fund revenues.

Recent History: Prior to fiscal 2017, the threshold to withdraw funds from the Rainy Day Fund without legislation was 5.0% of general fund revenues. The Budget Reconciliation and Financing Act of 2015 specified that the use of any balance below 7.5% requires legislation for fiscal 2017 and 2018 only. Chapter 10 of 2016 eliminates the requirement that the Governor, for fiscal 2017 through 2019, include in the budget bill an appropriation to the Rainy Day Fund equal to a specified portion of the amount by which the unappropriated general fund surplus as of June 30 of the second preceding fiscal year exceeds \$10.0 million.

Location of Provisions in the Bill: Sections 5 and 6 (p. 52)

University System of Maryland Fund Balance Transfer

Provision in the Bill: Authorizes the transfer of \$30,000,000 from University System of Maryland (USM) fund balances to the general fund in fiscal 2017.

Agency: University System of Maryland

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Rev	\$30.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$30.0 million in fiscal 2017 as a result of the transfer. An estimated \$1,008,375,541 remains in the fund balances after the transfer.

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

Recent History: Budget reconciliation and financing legislation transferred \$29.0 million from USM fund balances to the general fund in fiscal 2009, \$133.3 million in fiscal 2010, \$11.7 million in fiscal 2011, and \$31.0 million in fiscal 2014. A portion of the fiscal 2010 transfer was related to furlough savings.

Location of Provision in the Bill: Section 9 (p. 53)

Analysis prepared by: Jennifer B. Chasse

Volkswagen Clean Diesel and Moody's Corporation Settlements

Provisions in the Bill: Require the Comptroller to transfer up to \$12.0 million from the Consumer Protection Recoveries to the general fund, if the Office of the Attorney General (OAG) does not transfer \$12.0 million of the recovery from the Volkswagen Clean Diesel settlement to the general fund by May 1, 2017. Require the Comptroller to transfer up to \$12.0 million from the Consumer Protection Recoveries to the general fund, if OAG does not transfer \$12.0 million of the recovery from the Moody's Corporation settlement to the general fund by May 1, 2017.

Agency: Comptroller; Office of the Attorney General

Type of Action: Transfer to the general fund

Fiscal	(\$ in millions)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Impact:						
GF Rev	\$18.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by up to \$18.0 million in fiscal 2017, including \$12.0 million from the Volkswagen Clean Diesel settlement and \$6.0 million from the Moody's Corporation settlement. Of the \$12.0 million the State is scheduled to receive under the Moody's settlement, \$6.0 million has already been transferred to the general fund.

Local Effect: None.

Program Description/Recent History: In June 2016, OAG announced a consumer settlement that requires Volkswagen to pay more than \$570.0 million for violating state laws prohibiting unfair or deceptive trade practices by marketing, selling, and leasing diesel vehicles equipped with illegal and undisclosed defeat device software. This agreement is part of a series of state and federal settlements that will provide cash payments to affected consumers, require Volkswagen to buy back or modify certain VW and Audi 2.0-liter diesel vehicles, and prohibit Volkswagen from engaging in future unfair or deceptive acts and practices in connection with its dealings with consumers and regulators. Under the terms of this settlement, Volkswagen must pay Maryland more than \$15.0 million. Funds received under this settlement are not restricted.

In a related environmental settlement, Volkswagen must pay \$2.7 billion into an Environmental Mitigation Fund to support environmental programs throughout the country to reduce emissions of nitrogen oxides (NOx). This fund, also subject to court approval, is intended to mitigate the total, lifetime excess NOx emissions from specified 2.0-liter

diesel vehicles. Maryland is eligible to receive approximately \$71.0 million in grants to fund mitigation projects.

In January 2017, OAG announced that Maryland, along with 21 states, the District of Columbia, and the U.S. Department of Justice, reached an \$863.8 million settlement agreement with Moody's Corporation and Moody's Investors Service, Inc. after investigations found that the company misled consumers and investors about Moody's independence and objectivity when rating structured finance securities. Structured finance securities derive their value from the monthly payments consumers make on their mortgages. These securities, particularly those backed by subprime mortgages, were at the center of the financial crisis. OAG advises that Maryland will receive \$12.0 million under the settlement.

Location of Provisions in the Bill: Section 14 (p. 54)

Analysis prepared by: Jennifer B. Chasse

Maryland Correctional Enterprises Revolving Fund

Provision in the Bill: Authorizes the transfer of \$2.5 million from the Maryland Correctional Enterprises Revolving Fund to the general fund in fiscal 2017.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal Impact:	(\$ in millions)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Rev	\$2.5	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$2.5 million in fiscal 2017. Future years are not affected. The projected fiscal 2017 closing fund balance for the Maryland Correctional Enterprises Revolving Fund is \$29.0 million. Following the transfer, the balance will be approximately \$26.5 million, of which \$22.0 million is restricted to account for fluctuations in accounts receivable, expansion projects, vehicle and equipment purchases, and utility reimbursements.

Local Effect: None.

Program Description: Maryland Correctional Enterprises (formerly State Use Industries) provides work and job training for inmates incarcerated in State correctional facilities. Maryland Correctional Enterprises produces goods and supplies services at a cost that does not exceed the prevailing average market price. These goods and services are used by local, State, and federal agencies. These goods are also available for use by charitable, civic, educational, fraternal, or religious organizations. In fiscal 2015, Maryland Correctional Enterprises employed 2,041 inmates and generated revenues of \$54.1 million, resulting in a net profit of \$430,000, following a \$1.0 million transfer from the revolving fund to the general fund. In fiscal 2016, inmate employment declined slightly to 2,035, while revenues increased to \$61.4 million. Maryland Correctional Enterprises closed fiscal 2016 with a net profit of \$3.2 million.

Location of Provision in the Bill: Section 3 (p. 52)

Analysis prepared by: Rebecca J. Ruff

Supplemental Pension Contribution (Sweeper)

Provision in the Bill: Repeals the requirement, for fiscal 2018 only, that the Governor include an appropriation to the State Retirement and Pension System (SRPS) trust fund equal to one-half of the amount by which the unappropriated general fund surplus exceeds \$10.0 million in the second preceding fiscal year, up to a maximum of \$50.0 million.

Agencies: State Retirement Agency; Department of Budget and Management

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
SF Rev	\$0	(\$55.8)	\$0	\$4.00	\$4.10	\$4.20
GF Exp	\$0	(\$50.0)	\$0	\$3.36	\$3.44	\$3.53
SF Exp	\$0	(\$3.7)	\$0	\$0.32	\$0.33	\$0.34
FF Exp	\$0	(\$2.1)	\$0	\$0.32	\$0.33	\$0.34

State Effect: General fund expenditures decrease by \$50.0 million in fiscal 2018 due to repeal of the mandated appropriation; special fund revenues for the trust fund decrease commensurately. The fiscal 2018 budget includes a \$55.8 million reduction contingent on legislation reducing the amount of the retirement reinvestment contribution. State pension contributions increase by a total of \$4.0 million in fiscal 2020, which represents the amortized cost of not making the fiscal 2018 payment. The amortized costs do not begin until fiscal 2020 because the actuarial loss resulting from the missed payment is not recognized until the June 30, 2018 actuarial valuation of SRPS assets and liabilities. That valuation report determines State pension contributions for fiscal 2020. Amortization payments increase annually based on actuarial assumptions and are assumed to be allocated 84.0% general funds, 8.0% special funds, and 8.0% federal and other funds.

Local Effect: State retirement aid to local jurisdictions is reduced by a total of \$37.7 million in fiscal 2018: \$35.6 million for public schools; \$1.5 million for community colleges; and \$0.6 million for libraries. The impact of this reduction on counties is shown in **Appendix C**.

Program Description: The Budget Reconciliation and Financing Act of 2015 required that, for fiscal 2017 through 2020, an amount equal to one-half of the unappropriated general fund surplus in excess of \$10.0 million from the second prior fiscal year be paid to the SRPS trust fund, up to a maximum of \$50.0 million annually. For fiscal 2020 only, any unappropriated general fund balance in excess of \$10.0 million that is not otherwise paid to the pension trust fund is paid to the Revenue Stabilization Account (Rainy Day Fund). Any funds in the Rainy Day Fund in excess of 5.0% of the State's annual operating

expenditures are available for transfer to the general fund for budget relief; if the transfer reduces the Rainy Day Fund balance below 5.0%, funds may only be transferred contingent on separate authorizing legislation.

Recent History: The unappropriated general fund balance exceeded \$10.0 million in both fiscal 2015 (\$295.3 million) and 2016 (\$196.5 million). At these levels, the maximum \$50.0 million contribution to the SRPS trust fund was made in fiscal 2017 and is required to be included in the fiscal 2018 budget. The provision does not affect the required payments, if any, for fiscal 2019 and 2020.

Location of Provision in the Bill: Section 1 (p. 39)

Analysis prepared by: Michael C. Rubenstein

Strategic Demolition and Smart Growth Impact Fund

Provision in the Bill: Authorizes the Governor to use general funds or general obligation (GO) bonds to provide existing mandated appropriations to the Strategic Demolition and Smart Growth Impact Fund in fiscal 2018 and 2019.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief; fund swap

Fiscal	(\$ in millions)					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$25.6)	\$0	\$0	\$0	\$0
GO Bonds	\$0	\$25.6	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$25.6 million in fiscal 2018. The fiscal 2018 budget includes a \$25.6 million general fund reduction contingent on legislation to authorize the use of GO bonds to fund Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise), which is funded by the Strategic Demolition and Smart Growth Impact Fund. As a source of replacement funds, the fiscal 2018 capital budget includes \$25.6 million in GO bonds for this project. The 2017 *Capital Improvement Program* programs \$28.5 million in general funds for the fund in fiscal 2019, but under this provision, the source of funding is discretionary and could be provided using either general funds or GO bonds. This analysis assumes general fund expenditures in fiscal 2019 consistent with the Administration's out-year forecast.

Local Effect: None.

Program Description: The Strategic Demolition and Smart Growth Impact Fund provides funding to assist in demolition, land assembly, housing development or redevelopment, and revitalization projects. Funding is used for Project C.O.R.E., an effort to eliminate blight in Baltimore City and other projects statewide.

Recent History: Chapter 30 of 2016 established the Strategic Demolition and Smart Growth Impact Fund as a special fund and mandated appropriations to the fund in fiscal 2018 and 2019. The program had previously existed, with funding exclusively from GO bond proceeds, but was not codified.

Location of Provision in the Bill: Section 1 (pp. 26-27)

Analysis prepared by: Jason A. Kramer

Medicaid Deficit Assessment

Provisions in the Bill: Delay to fiscal 2019 the ongoing requirement that the Governor reduce the Medicaid Deficit Assessment to \$25.0 million below the assessment level for the prior fiscal year. For fiscal 2019 and 2020 only, increase the required reduction to \$35.0 million below the assessment level for the prior fiscal year. Establish that the budgeted Medicaid Deficit Assessment must be \$364.8 million for fiscal 2018, \$329.8 million for fiscal 2019, and \$294.8 million for fiscal 2020. Beginning in fiscal 2021, the Governor must reduce the budgeted Medicaid Deficit Assessment by \$25.0 million annually below the prior fiscal year.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal Impact:	(\$ in millions)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
SF Rev	\$0	\$25.0	\$15.0	\$5.0	\$5.0	\$5.0
GF Exp	\$0	(\$25.0)	(\$15.0)	(\$5.0)	(\$5.0)	(\$5.0)
SF Exp	\$0	\$25.0	\$15.0	\$5.0	\$5.0	\$5.0

State Effect: The fiscal 2017 budget is the first to contain a reduction in the Medicaid Deficit Assessment, from \$389.8 million to \$364.8 million. The proposed one-year delay in the assessment reduction keeps the assessment at \$364.8 million in fiscal 2018, rather than the \$339.8 million anticipated under current law. As a result, in fiscal 2018, general fund expenditures decrease by \$25.0 million, while special fund revenues and expenditures increase by \$25.0 million. The fiscal 2018 budget includes a \$25.0 million general fund reduction contingent on legislation suspending the Medicaid Deficit Assessment for fiscal 2018 only.

For fiscal 2019 and 2020, the reduction in the Medicaid Deficit Assessment is increased from \$25.0 million to \$35.0 million. In fiscal 2021, the required reduction in the Medicaid Deficit Reduction returns to the current \$25.0 million below the prior fiscal year. The changes result in net general fund savings of \$15.0 million in fiscal 2019 and \$5.0 million in each subsequent fiscal year until the assessment is eliminated. Special fund revenues and expenditures increase by \$15.0 million in fiscal 2019 and \$5.0 million in subsequent fiscal years until the assessment is eliminated.

Local Effect: None.

Recent History: During the most recent recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals. The Budget Reconciliation and Financing Act of 2014 required the Health

Services Cost Review Commission (HSCRC) to calculate the general fund savings to Medicaid resulting from implementation of the all-payer model contract. Any savings were to be used to reduce the Medicaid Deficit Assessment. The Budget Reconciliation and Financing Act of 2015 delayed the reduction in the assessment based on the methodology developed by HSCRC by one year and also replaced the savings methodology with a simple reduction of \$25.0 million over the prior year appropriation of the Medicaid Deficit Assessment.

Location of Provisions in the Bill: Section 1 (pp. 49-50)

Analysis prepared by: Simon G. Powell

Baltimore Regional Neighborhood Initiative Program

Provisions in the Bill: Authorizes the Governor to provide mandated funding for the Baltimore Regional Neighborhood Initiative (BRNI) Program, in fiscal 2018 through 2022, through the operating or capital budget.

Agency: Department of Housing and Community Development (DHCD)

Type of Action: Mandate relief; fund swap

Fiscal Impact:	(\$ in millions)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$12.0)	\$0	\$0	\$0	\$0
GO Bonds	\$0	\$8.0	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$12.0 million in fiscal 2018. The fiscal 2018 budget includes a \$12.0 million general fund reduction contingent on legislation altering the mandate for BRNI. As a source of partial replacement funds, the fiscal 2018 capital budget includes \$8.0 million in GO bonds, and an additional \$3.0 million is programmed in the 2017 *Capital Improvement Program* for fiscal 2019 through 2022. In future years, to the extent GO bonds are used to provide mandated funding in lieu of general funds, general fund expenditures decrease by up to \$12.0 million through fiscal 2022, while GO bonds increase accordingly (this potential impact is not reflected above).

Local Effect: None.

Program Description: BRNI provides grants to fund comprehensive revitalization strategies in sustainable community areas in Baltimore City and Baltimore and Anne Arundel counties. Grant recipients are nonprofit community development groups performing property acquisition, redevelopment, rehabilitation, and new infill development.

Recent History: Chapter 29 of 2016 codified BRNI, a previously existing program within DHCD's Division of Neighborhood Revitalization and mandated a \$12.0 million appropriation in fiscal 2018 through 2022.

Location of Provisions in the Bill: Section 1 (p. 27)

Analysis prepared by: Jason A. Kramer

Local Income Tax Disparity Grant

Provision in the Bill: Reduces the minimum grant amount from 67.5% to 63.75% of the disparity grant calculation to be provided in fiscal 2018 only for counties with a tax rate of at least 3.2%.

Agency: Payments to Civil Divisions

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$2.4)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$2.4 million in fiscal 2018. The fiscal 2018 budget includes a \$2.4 million general fund reduction contingent on legislation modifying the formula for disparity grants.

Local Effect: State aid for Prince George's, Somerset, and Wicomico counties decreases by \$2.4 million in fiscal 2018. The impact of this reduction on counties is shown in **Appendix C**.

Program Description/Recent History: 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 an adjusted per capita taxable income of less than 75.0% of the statewide average receives a grant, unless the county has an income tax rate below 2.6%. The grant is equal to the lesser dollar amount of what is needed to raise the county's adjusted per capita income tax revenues to 75.0% of the statewide average or the amount allocated under the cap provisions. The cap provisions provide the greater amount of what a county received in fiscal 2010 or a proportion of the amount necessary to raise the county's adjusted per capita income tax revenues to 75.0% of the statewide average based on that county's local income tax rate. For a county with a rate between 2.8% and 3.0%, the proportion is 20.0%; between 3.0% and 3.2%, the proportion is 40.0%; and at 3.2%, the proportion is 60.0%, except in fiscal 2018 or 2019, when it is 67.5%. Chapter 738 of 2016 increased the minimum grant amount for counties with a 3.2% local income tax rate from 60.0% to 67.5% for fiscal 2018 and 2019 only.

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

Analysis prepared by: Jordan D. More

Public School Opportunities Enhancement Program

Provision in the Bill: Reduces the mandated appropriation for the Public School Opportunities Enhancement Program for fiscal 2018 from \$7.5 million to \$2.5 million; mandatory funding of \$7.5 million annually is maintained for fiscal 2019 through 2021.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$5.0)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$5.0 million in fiscal 2018. The fiscal 2018 budget includes a \$5.0 million general fund reduction contingent on legislation altering the mandate that funding be provided for the program.

Local Effect: State revenues to local school systems decline in fiscal 2018 only to the extent they are potential grantees. Potential grantees in Baltimore City and Allegany, Caroline, Dorchester, Kent, Prince George's, Somerset, and Wicomico counties collectively incur foregone revenue of up to \$5.0 million in fiscal 2018 only. Operating expenses to administer the grant program are estimated to total approximately \$170,000 annually, leaving \$2.3 million available for grant funding in fiscal 2018. To qualify for a grant under the program, a grantee must provide programs in a county in which at least 50.0% of public school students as a percentage of full-time equivalent students qualify for free lunch under the National School Lunch Program. Local school systems are also relieved of matching fund expenditures, though some local school systems may choose to fund relevant programming even if State support is not provided.

Program Description/Recent History: Chapter 32 of 2016 established the Public School Opportunities Enhancement Program. The program is intended to assist local school systems, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer enhancement programs and to assist nonprofit organizations in the State and community schools in expanding or supporting existing educational programming during the school day.

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

Analysis prepared by: Scott P. Gates

Teacher Induction, Retention, and Advancement Pilot Program

Provision in the Bill: Reduces from \$5.0 million to \$2.1 million the amount of funding the Governor must provide for the Teacher Induction, Retention, and Advancement Pilot Program for fiscal 2018 only.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$2.9)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$2.9 million in fiscal 2018. The fiscal 2018 budget includes a \$2.9 million general fund reduction contingent on legislation altering the mandate that funding be provided for the pilot program. Under current law, the pilot program runs through fiscal 2022 only.

Local Effect: Local school system revenues from the pilot program decrease by \$2.9 million in fiscal 2018 only. Local school system expenditures for the program also decrease.

Program Description/Recent History: Chapter 740 of 2016 established the Teacher Induction, Retention, and Advancement Pilot Program for first-year teachers. The pilot program, in effect through fiscal 2022, is to afford first-year teachers and experienced mentor teachers selected by their local school systems more time on specified professional development activities. Any costs incurred must be borne 80.0% by the State (up to \$5.0 million annually) and 20.0% by the local boards of education that choose to participate in the pilot program. By December 1, 2021, MSDE must report on the retention of first-year teachers who participated in the program versus similarly situated first-year teachers who did not participate, and make recommendations on whether to continue, modify, or eliminate the pilot program.

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

Analysis prepared by: Caroline L. Boice and Kyle D. Siefering

Seed Community Development Anchor Institution Fund

Provision in the Bill: Authorizes the Governor to provide mandated funding for the Seed Community Development Anchor Institution Fund in fiscal 2018 through 2022 through either the operating or capital budget.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief; fund swap

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$5.0)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$5.0 million in fiscal 2018. The fiscal 2018 budget includes a \$5.0 million general fund reduction contingent on legislation altering the mandate for the fund. No funding is included for the Seed Community Development Anchor Institution Fund in the fiscal 2018 budget. In future years, to the extent general obligation (GO) bonds are used to provide mandated funding in lieu of general funds, general fund expenditures decrease by up to \$5.0 million through fiscal 2022, while GO bonds increase accordingly (this potential impact is not reflected above).

Local Effect: None.

Program Description/Recent History: Chapter 31 of 2016 created the Seed Community Development Anchor Institution Fund and required a \$5.0 million appropriation to the fund in fiscal 2018 through 2022. The purpose of the fund is to provide grants and loans to “anchor institutions” for community development projects in blighted areas of the State.

Location of Provision in the Bill: Section 1 (p. 27)

Analysis prepared by: Jason A. Kramer

Teacher Stipends

Provisions in the Bill: Reduce the maximum State match for county teacher stipends for teachers who hold National Board Certification (NBC) and work in a comprehensive needs school from \$4,000 to \$2,000 in fiscal 2018 only. The maximum State match returns to \$4,000 per qualified individual beginning in fiscal 2019. Reduce the maximum State match for stipends for specified Anne Arundel County Public Schools (AACPS) classroom teachers from \$1,500 to \$750 for fiscal 2018. The maximum State match returns to \$1,500 per teacher in fiscal 2019.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	(\$ in millions)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$2.1)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by an estimated \$2.1 million in fiscal 2018, assuming local school systems choose to grant specified teachers the maximum stipend amount and a level number of eligible teachers. The fiscal 2018 budget includes a \$1.1 million general fund reduction contingent on legislation reducing the mandated stipend amount for teachers who hold NBC and a \$950,000 general fund reduction contingent on legislation altering the stipend for specific AACPS teachers. After the contingent reductions, \$3.5 million remains in the fiscal 2018 budget for the NBC stipends and \$950,000 remains for the AACPS stipends. Under current law, the AACPS stipend program ends in fiscal 2019.

Local Effect: Local school system revenues and expenditures decrease by an estimated total of \$1.1 million in fiscal 2018 for the State match for NBC stipends, assuming counties intended to grant the maximum stipend amount. In addition, local school system expenditures for the local portion of the stipend may decrease due to the reduced State match in fiscal 2018.

AACPS revenues and expenditures decrease by an estimated \$950,000 in fiscal 2018, assuming AACPS intended to grant specified teachers the maximum stipend amount. In addition, AACPS expenditures for the local portion of the stipend may decrease due to the lack of a State match in fiscal 2018.

Program Description: The State matches county stipends for specified NBC teachers, up to \$4,000 per NBC teacher who works at a school with comprehensive needs and up to

\$1,000 per NBC teacher who works at a school without comprehensive needs. The State also matches stipends for specified AACPS teachers.

Recent History: Chapter 600 of 1999, the Quality Teacher Incentives (QTI) Act, established the NBC teacher stipends and other incentives for teachers as a mandatory program. The QTI program budget grew to \$21.9 million in fiscal 2015, prompting cost containment actions, including the repeal of a non-NBC stipend in the Budget Reconciliation and Financing Act of 2015. Chapter 740 of 2016 increased the maximum State match for stipends for teachers who hold NBC and work in a school with comprehensive needs from \$2,000 to \$4,000. In addition, Chapter 740 established a matching State stipend of up to a maximum of \$1,500 for specified AACPS classroom teachers. The Governor is required to include funding for the AACPS stipends in fiscal 2018 and 2019.

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

Analysis prepared by: Caroline L. Boice and Kyle D. Siefering

Shelter and Transitional Housing Facilities Grant Program

Provisions in the Bill: Authorize the Governor to provide mandated funding for the Shelter and Transitional Housing Facilities Grant Program through either the operating or capital budget and specify the mandated funding level as \$3.0 million (rather than at least \$3.0 million).

Agency: Department of Housing and Community Development

Type of Action: Mandate relief; fund swap

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)
GO Bonds	\$0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0

State Effect: General fund expenditures decrease by \$3.0 million in fiscal 2018. The fiscal 2018 budget includes a \$3.0 million general fund reduction contingent on enactment of legislation to authorize the use of general obligation (GO) bonds for the program. As a source of replacement funds, the fiscal 2018 capital budget includes \$3.0 million in GO bonds for the program, and an additional \$3.0 million in GO bonds are programmed in the 2017 *Capital Improvement Program* for fiscal 2019 through 2022.

Local Effect: None.

Program Description: The Shelter and Transitional Housing Facilities Grant Program provides grants to local governments and nonprofits in order to develop emergency shelters and transitional housing for homeless individuals and families. Grantees use the funds to acquire, design, construct, renovate, and equip projects for which loan financing is not feasible. Funding is generally limited to 50.0% of a project's cost.

Recent History: Chapters 698 and 699 of 2016 mandated an annual appropriation of at least \$3.0 million to the program.

Location of Provisions in the Bill: Section 1 (p. 26)

Analysis prepared by: Jason A. Kramer

Next Generation Farmland Acquisition Program

Provision in the Bill: Reduces the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program from \$5.0 million to \$2.5 million and defers funding of the remaining \$2.5 million to fiscal 2019.

Agency: Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$2.5)	\$2.5	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$2.5 million in fiscal 2018 and increase by \$2.5 million in fiscal 2019. The fiscal 2018 budget reduces the MARBIDCO general fund appropriation by \$2.5 million, contingent on the enactment of legislation providing funding over two years for the Next Generation Farmland Acquisition Program.

Local Effect: None.

Program Description/Recent History: Chapter 10 of 2016 requires that the Governor include in the budget bill for fiscal 2018 a general fund appropriation of \$5.0 million to MARBIDCO to provide grants for the use of the Next Generation Farmland Acquisition Program. The program is intended to help qualified beginning or young farmers purchase farmland for sustainable agricultural uses.

Location of Provision in the Bill: Section 1 (p. 47)

Analysis prepared by: Scott D. Kennedy

Core Public Health Services Funding Formula

Provisions in the Bill: Reduce the Core Public Health Services (CPHS) funding formula to \$49,488,474 (the fiscal 2017 level) for fiscal 2018 and rebase the formula beginning in fiscal 2019 at the fiscal 2018 level plus inflation and population growth.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate relief

Fiscal	<i>(\$ in dollars)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$747,276)	(\$765,211)	(\$788,167)	(\$813,389)	(\$840,231)

State Effect: General fund expenditures decrease by \$747,276 in fiscal 2018. The fiscal 2018 budget includes a \$747,276 general fund reduction contingent on legislation reducing the required appropriation for CPHS to level fund aid at the fiscal 2017 level. Out-year savings are due to inflationary factors being applied to a lower base.

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

Program Description: CPHS funding is established by statutory formula adjusted yearly for inflation and population growth. Matching funds are required from each local jurisdiction according to each jurisdiction's revenue-raising ability.

Recent History: The Budget Reconciliation and Financing 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. The Budget Reconciliation and Financing Act of 2015 reduced the CPHS formula to \$41.7 million (the fiscal 2014 level) for fiscal 2015 and 2016. Since fiscal 2015, adjustments have been added not to the previous statutory base (\$37.3 million) but rather to the prior year allocation. Contingent budget bill language in fiscal 2016 attempted to limit funding to the 2014 level of \$41.7 million. However, funding was only reduced by \$3.9 million, and funding for fiscal 2016 increased to \$45.8 million in general funds. The fiscal 2017 budget for CPHS is \$49.5 million.

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

Analysis prepared by: Lindsey B. Holthaus

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 \$73.7 million in fiscal 2018. This maintains SAPP funding for each county and qualifying municipality at the fiscal 2017 funding level.

Agency: Governor's Office of Crime Control and Prevention

Type of Action: Mandate relief

Fiscal	<i>(\$ in dollars)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$465,142)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures for SAPP decrease by \$465,142 in fiscal 2018, based on the amount the Governor would have been required to provide absent this provision. The fiscal 2018 budget includes a \$465,142 general fund reduction contingent on legislation reducing the required SAPP appropriation to the funding amount provided to each county and qualifying municipality in fiscal 2017.

Local Effect: Local government SAPP grants are reduced by \$465,142 in fiscal 2018. The fiscal 2018 budget proposes to maintain SAPP funding for each county and qualifying municipality at the fiscal 2017 funding level. This results in a funding decrease for most local jurisdictions. The impact of this reduction for each county is shown in **Appendix C**.

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

Recent History: As a cost containment measure, SAPP funding was capped at \$67.3 million in fiscal 2015 and 2016. The formula was fully funded in fiscal 2017 at \$73.7 million.

Location of Provision in the Bill: Section 1 (pp. 29-30)

Analysis prepared by: Shirleen M. E. Pilgrim

Horse Racing Special Fund

Provisions in the Bill: Reduce the amount of State Lottery revenues the Comptroller must distribute to the horse racing special fund from \$1.0 million to \$500,000 in fiscal 2017.

Agency: Department of Labor, Licensing, and Regulation

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Rev	\$0.5	\$0	\$0	\$0	\$0	\$0
SF Rev	(\$0.5)	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$500,000 in fiscal 2017 as fewer lottery revenues are diverted to the horse racing special fund and instead accrue to the general fund. Special fund revenues for the horse racing special fund decrease by \$500,000.

Local Effect: None.

Recent History: Chapter 727 of 2016 requires the Comptroller to distribute \$1.0 million in State lottery revenue to the horse racing special fund in fiscal 2017, 2018, and 2019. In fiscal 2017, \$500,000 is dedicated to a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes; the use for the remaining \$500,000 is not specified in that year. In fiscal 2018 and 2019, \$1.0 million is dedicated for (1) a purse for the Maryland International thoroughbred race (\$500,000); (2) grants to the Maryland Office of Sports Marketing (\$350,000); and (3) the Maryland Humanities Council for specified programs (\$150,000).

Location of Provisions in the Bill: Sections 2 (pp. 51-52) and 28 (p. 60)

Analysis prepared by: Sierra S. Boney

Use of Bay Restoration Fund for Biological Nutrient Removal

Provision in the Bill: Authorizes, for fiscal 2017 and 2018 combined, the Maryland Department of the Environment (MDE) to use up to \$60.0 million of revenue bond proceeds and the funds in the Bay Restoration Fund (BRF) for biological nutrient removal (BNR) upgrades of wastewater treatment plants (WWTPs).

Agency: Maryland Department of the Environment

Type of Action: Fund swap

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
SF Exp	\$0.1	\$2.7	\$2.7	\$6.2	\$6.2	\$6.2
Rev Bond Exp	\$10.9	\$49.1	\$0	\$0	\$0	\$0
GO Bond Exp	(\$11.0)	(\$49.1)	\$0	\$0	\$0	\$0

State Effect: Revenue bond expenditures from BRF increase by \$10.9 million in fiscal 2017 and \$49.1 million in fiscal 2018 to accommodate use of BRF to fund BNR projects. Special fund expenditures from BRF increase by \$0.1 million in fiscal 2017 to provide for \$89,000 in planned spending for projects previously funded with bond proceeds. Special fund debt service payments are estimated to require \$2.7 million in each of fiscal 2018 and 2019 and increase to \$6.2 million annually for the remainder of the 15-year amortization period of the bond issuance. MDE has existing authority to issue up to \$530.0 million in revenue bonds from BRF, and the planned \$60.0 million issuance is within that existing authority.

The \$60.0 million in revenue bonds are intended to replace general obligation (GO) bond authorizations of \$11.0 million made in the fiscal 2017 capital budget; those GO bonds are deauthorized in the fiscal 2018 capital budget. The revenue bonds replace another \$49.1 million that otherwise would need to be authorized in the fiscal 2018 capital budget to fund the cash-flow needs of current BNR projects. The Department of Legislative Services assumes that the Governor would have included GO bonds for the BNR program in fiscal 2018 within the \$995.0 million debt limit in the absence of this bill. Because the fiscal 2018 capital budget does not include any GO bond authorizations for the program, however, this action does not actually reduce GO bond expenditures.

Local Effect: None.

Program Description: Chapter 428 of 2004 established BRF to provide grants to owners of WWTPs to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology. The fund is also used to support septic

system upgrades and the planting of cover crops. As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Chapter 150 of 2012 doubled the fee for most users. Statute enumerates several authorized uses of fee revenues, including to provide grants to WWTPs for up to 100.0% of eligible costs of upgrades to the facilities. “Eligible costs” means the additional costs that would be attributable to upgrading a wastewater facility *from BNR to ENR*, as determined by MDE.

Current law does not allow the use of BRF to fund BNR projects. A separate program, the BNR Program, provides 50.0% to 75.0% of the funding for BNR upgrades to WWTPs; the BNR Program has historically been funded with GO bonds.

Chapters 368 and 369 of 2017 permanently expand the eligible uses of BRF to fund BNR technology upgrades at wastewater treatment facilities. For additional background, see the fiscal and policy notes for Senate Bill 343 and House Bill 384 (enacted as Chapters 368 and 369).

Recent History: The Budget Reconciliation and Financing Act of 2010 transferred \$155.0 million in unexpended funds from BRF to the general fund in fiscal 2010 and redirected \$45.0 million in BRF revenue to the general fund in fiscal 2011. The fiscal 2011 capital budget replaced \$80.0 million of the funds transferred in fiscal 2010 and \$45.0 million from fiscal 2011. The fiscal 2012 capital budget replaced the remaining \$75.0 million of prior-year unexpended funds transferred.

The Budget Reconciliation and Financing Act of 2011 transferred \$90.0 million from BRF to the general fund in fiscal 2012, including \$50.0 million in unexpended funds and \$40.0 million in revenues. Although not required, the fiscal 2012 capital budget replaced \$50.0 million of the unexpended funds and \$21.8 million of the revenues. The fiscal 2013 capital budget replaced the remaining \$18.2 million of the revenues.

Location of Provision in the Bill: Section 7 (p. 53)

Analysis prepared by: Andrew Gray and Matthew Klein

Video Lottery Terminal Revenues

Provisions in the Bill: Require that the fiscal 2018 revenue from video lottery terminals (VLTs) for the Small, Minority, and Women-Owned Businesses Account (SMWOBA) instead be dedicated to the general fund to pay for a portion of the costs of the grants provided to specified school systems under Chapter 6 of 2017 (House Bill 684). For fiscal 2019 and 2020, require the revenues that would otherwise go to SMWOBA to instead be dedicated to the Education Trust Fund (ETF).

Agency: State Lottery and Gaming Control Agency, Department of Commerce, Maryland State Department of Education

Type of Action: Fund swap

Fiscal Impact:	(\$ in millions)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Rev	\$0	\$15.7	\$0	\$0	\$0	\$0
SF Rev	\$0	(\$15.7)	\$0	\$0	\$0	\$0
GF Exp	\$0	\$0	(\$15.9)	(\$16.1)	\$0	\$0
SF Exp	\$0	(\$15.7)	\$0	\$0	\$0	\$0

State Effect: Special fund revenues and expenditures of SMWOBA decrease by \$15.7 million in fiscal 2018, \$15.9 million in fiscal 2019, and \$16.1 million in fiscal 2020. As a result of redirecting SMWOBA revenues to the general fund in fiscal 2018, general fund revenues increase by \$15.7 million in fiscal 2018. This revenue will pay for \$15.7 million of the \$28.2 million in grants under Chapter 6 of 2017, which is included in the fiscal 2018 budget.

As a result of redirecting SMWOBA revenues to the ETF in fiscal 2019 and 2020, special fund revenues and expenditures for ETF increase by \$15.9 million in fiscal 2019 and by \$16.1 million in fiscal 2020 (while SMWOBA revenues and expenditures decrease correspondingly). ETF revenues are currently budgeted for the State Foundation program, the State's largest education aid formula. Thus, any increase in ETF revenues reduces general fund appropriations for the State Foundation program by an equal amount, so general fund expenditures decrease by \$15.9 million in fiscal 2019 and by \$16.1 million in fiscal 2020.

Local Effect: None.

Program Description: Generally, 1.5% of VLT proceeds at each video lottery facility must be distributed to SMWOBA. The Board of Public Works (BPW) must make grants from the account to eligible fund managers to provide investment capital and loans to small,

minority, and women-owned businesses in the State. BPW must ensure that fund managers allocate at least 50% of available funds to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities. BPW was required to develop criteria to define eligible fund managers (entities with significant financial or investment experience) to whom BPW would make grants, and who in turn would use those grant funds to provide investment capital and loans to businesses. BPW must set the maximum amount of grant money that fund managers may use to pay for administrative, actuarial, legal, and technical services.

ETF is a nonlapsing, special fund to be used for continued funding of the Bridge to Excellence formulas and programs, including the Geographic Cost of Education Index. The fund may also be used to support capital projects for public schools, community colleges, and public four-year institutions as well as to expand public early childhood education programs in the State. A portion of the proceeds from VLTs and table games is dedicated to ETF.

Recent History: Chapter 4 of the 2007 special session authorized video lottery facilities in Maryland and established SMWOBA and ETF.

Location of Provisions in the Bill: Section 1 (pp. 42-44)

Analysis prepared by: Heather N. Ruby

Maryland Community Health Resources Commission Fund

Provision in the Bill: Authorizes the Maryland Community Health Resources Commission (MCHRC) Fund, in fiscal 2018 only, to be used for mental health services for the uninsured if no less than \$4.75 million of the premium tax exemption subsidy provided by CareFirst is used to fund currently authorized community health resources purposes.

Agency: Department of Health and Mental Hygiene

Type of Action: Cost shift

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$3.0)	\$0	\$0	\$0	\$0

State Effect: Lowering the amount of the MCHRC Fund that must be used for MCHRC purposes allows special funds to be used in lieu of general funds for mental health services for the uninsured under the Behavioral Health Administration. Thus, general fund expenditures are reduced by approximately \$3.0 million in fiscal 2018 only. Special fund revenues and expenditures are not affected. The fiscal 2018 budget includes a reduction of \$3.0 million in general funds contingent on enactment of legislation reducing the required special fund appropriation for MCHRC, as well as authorization to process a special fund budget amendment of \$3.0 million to replace the general fund reduction.

Local Effect: None.

Program Description: The MCHRC Fund receives a portion of the premium tax exemption subsidy provided by CareFirst. Section 14-106(d)(2)(ii)(2) of the Insurance Article prohibits the subsidy from being less than \$8.0 million in fiscal 2014 and each fiscal year thereafter. In fiscal 2014 through 2016, approximately \$4.0 million annually was dedicated to Health Enterprise Zone projects. The fund is used primarily to award operating grants to qualifying community health resources.

Recent History: Chapter 328 of 2013 specified that, in fiscal 2014 through 2016 only, the MCHRC Fund could be used for Health Enterprise Zone projects or initiatives if no less than \$4.0 million of the \$8.0 million premium tax exemption subsidy provided by CareFirst was used to fund currently authorized community health resources purposes.

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

Analysis prepared by: Jordan D. More

Senior Prescription Drug Assistance Program Fund

Provisions in the Bill: For fiscal 2018 only, allow excess funds from the Senior Prescription Drug Assistance Program (SPDAP) Fund to be used for the benefit of the Kidney Disease Program (KDP) or for community mental health services to the uninsured and without authorization by budget amendment. In future years, excess funds may only be used to support SPDAP.

Agency: Department of Health and Mental Hygiene

Type of Action: Fund swap

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$1.1)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$1.1	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decline by \$1,086,000 in fiscal 2018, while special fund expenditures increase accordingly. The fiscal 2018 budget includes a \$1,086,000 general fund reduction contingent on legislative authorization to use SPDAP revenue for community services.

Local Effect: None.

Program Description: SPDAP provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. In fiscal 2017, SPDAP began providing a new subsidy to members in certain Medicare Part D Advantage Plans when those members enter the coverage gap or “donut hole.”

Recent History: Various budget reconciliation and financing actions have transferred surplus SPDAP funds to the general fund and expanded uses of the funds. The fiscal 2017 budget included \$8.3 million in SPDAP funds for community mental health services for the uninsured (later reduced to \$6.1 million based on concerns about available funding). Chapter 321 of 2016 transferred SPDAP from the now defunct Maryland Health Insurance Program to the Department of Health and Mental Hygiene and required that any SPDAP funds used to support KDP or community mental health services must be transferred by budget amendment.

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

Analysis prepared by: Simon G. Powell

Economic Development Opportunities Program Account (Sunny Day Fund)

Provisions in the Bill: Require the Governor, in fiscal 2019 through 2021, to provide \$5.0 million to the Economic Development Opportunities Program Account (Sunny Day Fund) to provide conditional loans or grants to specified companies. By December 1, 2017, and each December 1 through 2021, the Department of Commerce (Commerce) must submit a specified report on the compliance of specified companies.

Agency: Department of Commerce

Type of Action: Cost shift (deferral); administrative

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	\$0	\$5.0	\$5.0	\$5.0	\$0
SF Rev	\$0	\$0	\$5.0	\$5.0	\$5.0	\$0
SF Exp	\$0	\$0	\$5.0	\$5.0	\$5.0	\$0

State Effect: General fund expenditures increase by \$5.0 million annually for fiscal years 2019 through 2021. Special fund revenues and expenditures also increase by \$5.0 million annually from fiscal 2019 through 2021 as the general funds are deposited into the Sunny Day Fund and disbursed as loans/grants to Marriott International, Inc. in Montgomery County. To receive the incentive, Marriott must retain at least 3,250 full-time employees and invest at least \$500.0 million in capital expenditures. The Legislative Policy Committee approved provision of the incentive on April 7, 2017.

As introduced, the fiscal 2018 budget included a fiscal 2017 deficiency appropriation of \$20.0 million in general funds for the Sunny Day Fund to provide a four-year retention incentive for Marriott. Payments to Marriott are to occur in four equal installments over four years. The General Assembly reduced the proposed deficiency appropriation to \$5.0 million and adopted this provision requiring the appropriation of the remaining \$15.0 million in general funds over fiscal 2019 through 2021. The General Assembly's actions align the general fund appropriations with scheduled payments to Marriott.

Local Effect: None.

Program Description: The 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.

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

Baltimore City School Construction

Provisions in the Bill: Prohibit the Comptroller from withholding \$4.6 million from the General State School Fund for the Baltimore City Board of School Commissioners. Instead, the Maryland Stadium Authority (MSA) must credit \$4.6 million of the fund balance of the Baltimore City Public School Construction Facilities Fund to the Baltimore City Public School Construction Financing Fund to satisfy a portion of the required fiscal 2018 contribution to the financing fund from the Baltimore City Public Schools (BCPS). Express the intent of the General Assembly that these actions be taken in fiscal 2018 only.

Agency: Comptroller, Maryland Stadium Authority

Type of Action: Fund swap

State Effect: None.

Local Effect: Revenues for BCPS increase by \$4.6 million in fiscal 2018 as the provision does not withhold State education aid from BCPS and instead allows \$4.6 million from the Baltimore City Public School Construction Facilities Fund to be credited toward the \$30.0 million required payment from BCPS for the Baltimore City public school construction and renovation initiative in fiscal 2018.

Program Description: Chapter 647 of 2013 created a multiyear public school construction and renovation initiative in Baltimore City managed by MSA and funded jointly by the State, Baltimore City, and BCPS, with each of the three entities contributing \$20.0 million annually toward program costs. Of Baltimore City's required \$20.0 million payment, \$10.0 million is actually paid by BCPS from additional education aid received under the Guaranteed Tax Program that resulted from Baltimore City appropriating school system retiree health payments to BCPS. The other \$10.0 million contributed by Baltimore City is primarily funded with beverage container tax revenues, which are dedicated by law to the school construction initiative. Two nonbudgeted funds are used to finance the initiative: the Baltimore City Public School Construction Financing Fund and the Baltimore City Public School Construction Facilities Fund. The facilities fund includes revenue transferred from the financing fund that exceeds the minimum level of funding required to meet the program's obligations. The facilities fund currently has a surplus of \$4.6 million from beverage container tax revenue, which has exceeded estimates, deposited by Baltimore City into the fund.

Location of Provisions in the Bill: Section 16 (p. 56)

Analysis prepared by: Kyle D. Siefering

Health Care Commissions

Provisions in the Bill: Authorize the Department of Health and Mental Hygiene (DHMH) to charge the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) an indirect cost assessment of up to 30.5% of salaries. Increase the user fee caps for both MHCC and HSCRC from \$12.0 million to \$16.0 million.

Agency: Department of Health and Mental Hygiene

Type of Action: Cost control; administrative

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
SF Rev	\$0	\$5.2	\$5.4	\$5.6	\$5.8	\$6.0
SF Exp	\$0	\$5.2	\$5.4	\$5.6	\$5.8	\$6.0
GF Exp	\$0	(\$0.9)	(\$0.9)	(\$1.0)	(\$1.0)	(\$1.0)
FF Rev	\$0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
FF Exp	\$0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2

State Effect: General fund expenditures decrease by \$1.1 million in fiscal 2018 (with a corresponding increase in special fund expenditures) from increasing the indirect cost assessment. The fiscal 2018 budget includes \$15.1 million for MHCC and \$14.1 million for HSCRC, including funding for the increased cost assessment. Thus, special fund revenues and expenditures increase by \$3.1 million for MHCC and \$2.1 million for HSCRC to reflect the amount in the fiscal 2018 budget for each commission that is above the current \$12.0 million cap. Medicaid expenditures increase by \$374,566 in fiscal 2018 (50% general funds, 50% federal funds) from an increase in hospital rates due to the increased HSCRC user fee cap. Future years assume MHCC expenditures grow by 3% and HSCRC expenditures grow by 6%.

Local Effect: None.

Program Description: MHCC is special funded by user fees assessed on health care payors, hospitals, nursing homes, and practitioners. HSCRC is special funded by user fees assessed on hospitals. DHMH may impose an indirect cost assessment of up to 18% of salaries to pay for the administrative costs incurred by DHMH on behalf of the commissions. DHMH's 18% indirect cost assessment on the commissions was codified by Chapter 627 of 2007, which also increased MHCC's user fee cap from \$10.0 million to \$12.0 million. HSCRC's user fee cap was last increased, from \$7.0 million to \$12.0 million, under Chapter 263 of 2014.

Location of Provisions in the Bill: Section 1 (pp. 20-22)

Analysis prepared by: Jordan D. More

Funding for the Arts

Provisions in the Bill: Clarify that \$1.0 million of the revenue from the admissions and amusement (A&A) tax from certain electronic bingo machines be allocated to the Maryland State Arts Council (MSAC). The remainder must be allocated to the Special Fund for the Preservation of Cultural Arts. Clarify that the additional funds are to be included in the calculation of the mandated increase in general funds for the program. This provision terminates after fiscal 2021. Allocate a portion of the A&A tax revenue accruing to the special fund to a grant for the Arts Council of Anne Arundel County beginning in fiscal 2019. Authorize the use of the special funds under MSAC to be used for grants to specific cultural and arts organizations in fiscal 2018 (\$450,000 to the Maryland Academy of Sciences; \$100,000 to the Columbia 50th Birthday Celebration, Inc.; \$25,000 to Arts Every Day; and \$25,000 to 901 Arts).

Agency: Department of Commerce

Type of Action: Mandate clarification; administrative

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	\$0	\$0	\$0	\$0	(\$1.04)

State Effect: The provisions generally clarify the funding mandate for MSAC. Beginning in fiscal 2022, general fund expenditures decline by \$1.04 million due to termination of the mandate under the sunset provision as revenue from the A&A tax from certain electronic bingo machines will remain in the special fund for the Preservation of Cultural Arts Program (POCA) rather than be distributed to MSAC.

The provisions also authorize \$600,000 in POCA funds to be used for grants to specified organizations in fiscal 2018 and \$250,000 for a specified organization beginning in fiscal 2019. It is assumed that, without the transfers, these special funds would have been used to provide supplemental grants to qualifying cultural arts organizations. Using these funds for the specified grants reduces the funds available to qualifying cultural arts organizations but does not have a net effect on special fund expenditures.

Local Effect: None, although local arts organizations benefit.

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 Governor must appropriate general funds to the council that increase each year by the expected percentage of growth in general fund revenues.

The Special Fund for Preservation of Cultural Arts in Maryland is a special, nonlapsing fund in the Department of Commerce that consists primarily of State A&A tax revenue from electronic bingo and tip jar machine proceeds. The fund is used to provide supplemental grants to cultural arts organizations that qualify for general operating support grants from MSAC. Due to the diversion of funds for cost containment and other budgetary purposes, the special fund has never been used for its intended purpose.

Recent History: Chapter 145 of 2016 increased available funding to MSAC by changing the allocation of A&A tax that was distributed to POCA. Chapter 145 specified that revenue attributable to a 5% State A&A tax rate on electronic bingo and electronic tip jars be disbursed so that *up to* an aggregate amount of \$1.0 million in each fiscal year goes to the special fund for POCA and the remainder is distributed to MSAC, instead of *all* of the revenue going to POCA. Any funds distributed to MSAC from the A&A tax must be included in MSAC's prior fiscal year appropriation for purposes of calculating the required mandated general fund appropriation.

Under Chapter 145, the inflated funding level for MSAC in fiscal 2018 would be \$20.1 million in general funds. If calculated using the formula prior to Chapter 145, fiscal 2018 MSAC funding would have been \$18.1 million in general funds. However, the Department of Budget and Management used the special funds from the A&A tax (\$2.0 million) to fulfill the increased mandate as opposed to general funds. Accordingly, the fiscal 2018 budget includes \$18.1 million in general funds plus \$2.0 million in POCA special funds (and other miscellaneous special funds of \$300,000). However, the legislative intent of Chapter 145 was to increase general funds to MSAC, using the special funds in the base and not to fulfill the increased mandate. The provisions are intended to clarify this existing mandate.

Location of Provisions in the Bill: Sections 1 (pp. 10-11, 44-46), 2 (p. 52), and 19 (p. 58)

Analysis prepared by: Jody J. Sprinkle

Maryland Park Service

Provision in the Bill: Requires the Governor to include in the State budget an appropriation to the Maryland Park Service (MPS) equal to 100% of own-sourced revenues collected in the Forest or Park Reserve Fund from the second preceding fiscal year, less any administrative costs and prior-year closing fund balance.

Agency: Department of Natural Resources (DNR)

Type of Action: Mandate clarification

State Effect: None. The bill clarifies an existing funding mandate.

Local Effect: None.

Program Description: The fiscal 2018 budget includes \$47.1 million for MPS, including \$46.3 million in special funds, which mainly comprise transfer tax revenues (\$31.3 million) and funds attributable to MPS operations from the Forest or Park Reserve Fund (\$10.9 million). The Forest or Park Reserve Fund primarily consists of revenue obtained from State forest reserves, State parks, scenic reserves, parkways, historic monuments, and recreation areas.

Recent History: The Budget Reconciliation and Financing Act of 2014 (2014 BRFA) required the Governor to make the following appropriations for MPS from MPS-sourced revenues collected in the Forest or Park Reserve Fund: (1) at least 60% of revenues for fiscal 2016; (2) at least 80% of revenues for fiscal 2017; and (3) 100% of revenues for fiscal 2018 and each fiscal year thereafter. In a May 14, 2015 letter to the Governor, the Office of the Attorney General (OAG) advised that the MPS funding provisions were likely unconstitutional because they violated the one-subject rule under the Maryland Constitution. OAG indicated that the MPS provisions, as a funding mandate, were inconsistent with the single subject of the 2014 BRFA. OAG recommended that the provisions be treated as an expression of intent only and not binding on the Governor.

Chapter 389 of 2015 ratified and amended the MPS funding provisions of the 2014 BRFA, specifying that the percentages be applied to the revenues in the Forest or Park Reserve Fund that are attributable to MPS operations less any amount of those revenues allocated for administrative costs. However, it was unclear whether the mandate was enforceable as it did not prescribe an objective basis from which funding could be computed. On April 4, 2017, OAG advised that this provision appears to clarify an existing mandate rather than establish a new mandate.

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

Block Grants and the Medicaid and Supplemental Nutrition Assistance Program

Provisions in the Bill: Expand existing legislative review of any programmatic change that results from a federal block grant. Add a time-limited provision requiring additional review of programmatic changes to Medicaid and the Supplemental Nutrition Assistance Program (SNAP) that make it harder to qualify for benefits, expand beneficiary cost-sharing, or impose certain limitations on covered benefits unless (1) required by federal law for the receipt of federal funds; (2) included in legislation passed by the General Assembly; or (3) proposed in the State budget. The Legislative Policy Committee (LPC) has 60 days to review and comment on any SNAP changes. Medicaid changes must be submitted to the Maryland Medicaid Advisory Committee (MMAC). Any legislative member of MMAC may subsequently refer a proposed change in Medicaid to LPC. The Department of Health and Mental Hygiene and the Department of Human Resources must establish a group of interested stakeholders to collaborate on any changes or redesign of Medicaid or SNAP.

Agency: Department of Health and Mental Hygiene; Department of Human Resources

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description: SNAP (known in Maryland as the Food Supplement Program) provides benefits solely for the purchase of food items to families and individuals who meet certain income and resource requirements. Virtually all of the program is federally funded; however, Chapter 696 of 2016 established a new State supplemental benefit for seniors receiving less than \$30 in monthly SNAP benefits. Average monthly SNAP enrollment in fiscal 2017 through February was 709,751.

Medicaid is a joint federal and State program that provides assistance to indigent and medically indigent individuals. In Maryland, the federal government generally covers 50% of Medicaid costs, although this support is higher for individuals covered under the expansion authorized under the federal Patient Protection and Affordable Care Act. Medicaid eligibility is limited to children, pregnant women, elderly or disabled individuals, low-income parents, and childless adults. To qualify for benefits, applicants must pass certain income and asset tests. Average monthly Medicaid enrollment in fiscal 2017 through March was 1,172,836.

Location of Provisions in the Bill: Sections 1 (pp. 30-31), 15 (pp. 55-56), and 29 (p. 60)

Analysis prepared by: Simon G. Powell

HB 152/ Page 46

Triennial Review of Interagency Agreements and Budget Book Content

Provisions in the Bill: Establish a staggered, triennial review cycle for interagency agreements that have been in place for three or more years and have cumulative expenditures exceeding \$750,000 in the last three fiscal years. The Department of Budget and Management (DBM) must submit an annual summary report of the findings of the reviews beginning December 1, 2017. Clarify and specify the information DBM must publish in the annual printed budget books. Require DBM to publish budget, personnel, and agency performance data included in the budget books on the DBM website.

Agency: Department of Budget and Management

Type of Action: Administrative

State Effect: DBM can perform triennial review of interagency agreements with existing budgeted resources. Current law requires that certain information be printed in the annual budget books, which is clarified and further specified under these provisions. DBM can publish the required information on the DBM website with existing budgeted resources.

Local Effect: None.

Program Description: Interagency agreements are used by State agencies to obtain services from State institutions of higher education, such as information technology assistance and training. These agreements can be beneficial to agencies as a means of tapping research, knowledge, and skills that can support operations and services. Interagency agreements are exempt from certain procurement and personnel laws; agencies that use them are often subject to indirect cost recovery or overhead charges. Due to various audit findings of improper usage of interagency agreements and concern over indirect cost recoveries charged by institutions of higher education, interagency agreements have come under increasing scrutiny by the legislature.

Location of Provisions in the Bill: Section 1 (pp. 31-39)

Analysis prepared by: David B. Juppe

Consolidated Transportation Program

Provisions in the Bill: Prohibit the *Consolidated Transportation Program* (CTP) from including capital transportation grants for roads and highways to counties or municipal corporations for any period beyond the budget request year. For the period beyond the budget request year, the Transportation Trust Fund (TTF) forecast (1) must maximize the use of funds for the capital program and (2) may not withhold or reserve funds for capital transportation grants to counties or municipal corporations.

Agency: Maryland Department of Transportation

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description: The CTP is Maryland's six-year transportation capital plan. The TTF forecast shows the estimated revenues to and expenditures from the TTF.

Location of Provisions in the Bill: Section 1 (pp. 47-48)

Analysis prepared by: Steve D. McCulloch

Maryland Emergency Medical System Operations Fund

Provision in the Bill: Requires the Comptroller to administer the Maryland Emergency Medical System Operations Fund (MEMSOF), including accounting for all transactions and performing year-end reconciliation.

Agency: Comptroller's Office

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description: Money from MEMSOF must be used solely for the Maryland State Police Aviation Command; Maryland State Institute for Emergency Medical Services Systems; R. Adams Cowley Shock Trauma Center; Maryland Fire and Rescue Institute; local grants under the Senator William H. Amos Fire, Rescue, and Ambulance Fund; and Volunteer Company Assistance Fund. The source of revenue for MEMSOF is a biennial surcharge of \$29 on motor vehicle registrations for certain classes of vehicles and funding from a \$7.50 moving violation surcharge.

In a January 2017 audit report, the Office of Legislative Audits (OLA) noted that there is no statutory provision for an individual or agency to conduct a year-end reconciliation of MEMSOF. Essentially, there is no administering agency for the fund. OLA advised that the General Assembly may wish to amend State law to designate an administering agency for MEMSOF, which would include responsibility for accounting for all transactions and performing a year-end reconciliation.

Location of Provision(s) in the Bill: Section 1 (pp. 48-49)

Analysis prepared by: Jennifer B. Chasse

Rate Increases for Providers with Rates Set by the Interagency Rates Committee

Provision in the Bill: Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee (IRC) to no more than 2.0% over the rates in effect on June 30, 2017.

Agencies: Department of Human Resources; Department of Juvenile Services; Department of Health and Mental Hygiene

Type of Action: Cost control

State Effect: Limiting rates set by IRC to no more than 2.0% over the fiscal 2017 rates results in no savings in fiscal 2018. The fiscal 2018 budget provides funding for a 2.0% increase for providers whose rates are set by IRC. Rates for fiscal 2018 have not yet been finalized but, under this provision, cannot increase by more than 2.0%.

Local Effect: None.

Program Description: IRC establishes rates for residential or nonresidential child care programs licensed or approved by the Maryland State Department of Education (MSDE), the Department of Health and Mental Hygiene (DHMH), the Department of Human Resources (DHR), or the Department of Juvenile Services (DJS), including nonpublic general education schools operated in conjunction with a residential or nonresidential child care program. IRC includes representatives from the Department of Budget and Management, DHMH, DHR, DJS, MSDE, 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 Budget Reconciliation and Financing Act of 2015 froze fiscal 2016 rates at the fiscal 2015 level.

Location of Provision in the Bill: Section 4 (p. 52)

Analysis prepared by: Jennifer B. Chasse

Fiscal 2017 Interdepartmental Transfers

Provisions in the Bill: Authorize the Governor to transfer \$3.0 million from the Jane E. Lawton Conservation Fund to the State Agency Loan Program Fund in fiscal 2017. Require \$187,500 from the fiscal 2017 special fund appropriation for the Department of Housing and Community Development (DHCD) related to administrative fees to be transferred to the Department of Commerce (Commerce) for distribution to the Small, Minority, and Women-Owned Business Account (SMWOBA).

Agencies: Maryland Energy Administration, Department of Housing and Community Development, Department of Commerce

Type of Action: Administrative

State Effect: No net effect on State finances.

Local Effect: None.

Program Description: MEA administers two revolving loan programs. The Jane E. Lawton Conservation Loan Program (JELLP) supports energy efficiency and conservation projects for nonprofits, local government agencies, and businesses through low-interest rate loans or credit enhancements. The State Agency Loan Program (SALP) provides zero-interest loans to State agencies for energy conservation projects. In recent years, there has been high demand but low fund balance in SALP and a low demand but high fund balance in JELLP. Transfer of funds from JELLP to SALP will assist with recent SALP funding challenges. Following the transfer, fund balances are anticipated to be \$574,516 for JELLP and \$3.49 million for SALP.

Generally, 1.5% of video lottery terminal proceeds from each video lottery facility must be distributed to SMWOBA. Expenditures from SMWOBA must be used only to make grants to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State.

Senate Bill 465 and House Bill 1517 of 2017 authorize the Governor to transfer \$187,500 from Commerce to the Nonprofit Interest-Free, Micro Bridge Loan account within the Maryland Nonprofit Development Center Program Fund in fiscal 2017.

Location of Provisions in the Bill: Sections 8 and 11 (p. 53)

Analysis prepared by: Jennifer B. Chasse

Fiscal 2017 Budget Actions

Provisions in the Bill: Require \$1.46 million in general funds from the unexpended fiscal 2017 appropriation for utilization review audit contracts in the Developmental Disabilities Administration (DDA) to revert to the general fund and \$1.04 million in federal funds to be cancelled. Require the unexpended fiscal 2017 appropriation for the Assistance Payments Program in the Department of Human Resources (DHR) to be used by DHR to reduce the fiscal 2017 deficit in the federal Temporary Assistance to Needy Families (TANF) grant. Require the unexpended appropriation for the Department of General Services (DGS) to be reduced by \$968,000 in general funds. Authorize DGS to process a fiscal 2017 special fund budget amendment for that amount from eMaryland Marketplace fees that were recorded as a deferred revenue at the close of fiscal 2016.

Agencies: Department of General Services, Department of Health and Mental Hygiene, Department of Human Resources

Type of Action: Administrative; fund swap

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	(\$2.43)	\$0	\$0	\$0	\$0	\$0
SF Exp	\$1.0	\$0	\$0	\$0	\$0	\$0
FF Rev	(\$1.04)	\$0	\$0	\$0	\$0	\$0
FF Exp	(\$1.04)	\$0	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$1.46 million in fiscal 2017 from reversion of unexpended DDA funds. Federal fund revenues and expenditures decrease by \$1.04 million due to cancellation of the unexpended federal funds. General fund expenditures decrease by an additional \$968,000 in fiscal 2017 from reversion of unexpended DGS funds; DGS special fund expenditures increase by a corresponding amount. No net effect from the DHR provision.

Local Effect: None.

Program Description: DDA historically contracts for utilization review audits to ensure that funded services are provided and to evaluate consumer satisfaction. Funds were included in the fiscal 2017 budget, but DDA did not contract for the services. DHR has maintained a TANF deficit since fiscal 2011. The deficit was \$20.4 million at the close of fiscal 2016. DHR covers the deficit annually by using funds available from the block grant received in the following year. DHR is anticipating reducing the deficit in fiscal 2017 and 2018, but based on current spending plans, the deficit is estimated to be \$11.0 million at the close of fiscal 2018. In the 2016 close-out audit conducted by the Office of Legislative

Audits, it was noted that DGS improperly encumbered \$968,000 in special funds obtained through an administrative charge for operating the eMaryland Marketplace.

Location of Provisions in the Bill: Sections 10, 12, and 13 (p. 53)

Analysis prepared by: Jennifer B. Chasse

Miscellaneous Reporting Requirements

Provisions in the Bill: Require Baltimore City Public Schools (BCPS), by November 1, 2017, and quarterly until November 1, 2019, to report to the Governor and specified committees of the General Assembly on the status of the school system's structural budget deficit and the actions that have been taken to reduce the gap between ongoing revenues and expenditures, including specified items.

Require the Secretary of Transportation, in coordination with the Montgomery County and Prince George's County departments of transportation, to engage the Secretary's counterparts in Virginia and Washington, DC and appropriate federal officials to revisit the Washington Metropolitan Area Transit Authority Compact of 1966 and implement other reforms necessary to ensure the viability of the Washington Metropolitan Area Transit Authority (WMATA). The Secretary must develop, propose, and seek agreement on specified reforms. The Secretary must also report to and consult quarterly with the chairs of specified committees of the General Assembly beginning June 30, 2017.

Require the Board of Trustees of the Maryland Science Center to report to specified committees of the General Assembly by December 1, 2018, on the long-term financial plan for the Maryland Science Center.

Agency: Baltimore City Public Schools, Maryland Department of Transportation, Maryland Science Center

Type of Action: Administrative

State Effect: The Maryland Department of Transportation can engage with specified officials regarding the viability of WMATA with existing budgeted resources. Revenues are not affected.

Local Effect: BCPS can submit the required reports with existing budgeted resources. Prince George's and Montgomery counties can participate in the WMATA study with existing budgeted resources. Revenues are not affected.

Location of Provisions in the Bill: Sections 17, 18, and 20 (pp. 56-58)

Analysis prepared by: Jennifer B. Chasse

Authorization of Funds for Election-related Purposes

Provisions in the Bill: Authorize the transfer of funds between programs under the State Board of Elections (SBE) in fiscal 2017 and 2018 to fund election support services. Authorize the use of the Major Information Technology Development Project Fund (MITDPF) for operations and maintenance of the Agency Election Management System (AEMS) in fiscal 2018 only.

Agency: State Board of Elections

Type of Action: Administrative

State Effect: Indeterminate. To the extent that funds within SBE are used for election support services and the operation of AEMS instead of reverting to MITDPF, available funding from MITDPF to support other projects is reduced. However, to the extent that the election support services and operational support for AEMS would have occurred, the use of MITDPF removes the need for deficiency appropriations.

Local Effect: None.

Program Description: SBE requires support services for the 2018 gubernatorial primary election: an estimated additional \$168,000 in fiscal 2017 and \$810,000 in fiscal 2018. In recent elections, support services were funded as part of the New Voting System Replacement (NVSR) major information technology (IT) project through MITDPF in the Department of Information Technology (DoIT). However, DoIT notes that fiscal 2017 funding for NVSR is earmarked for other purposes. Use of MITDPF for operations and maintenance costs is not permitted for the 2018 election, necessitating authorization of funds intended for major IT projects to be used for this purpose.

AEMS is responsible for interfacing candidate information with the voter registration system, building election ballots, interfacing ballot information to the voting system, election night reporting, tabulating votes, and generating election documents. AEMS, a legacy system, has been in operation since 1999. SBE planned to replace AEMS prior to the 2018 gubernatorial primary election, but the project is delayed, which necessitates the use of the legacy system in the upcoming election. SBE did not budget for operations and maintenance of AEMS in fiscal 2018 due to the expectation that the new system would be operational. As funding for operations and maintenance is not allowed through MITDPF, SBE requires authorization of funds for this purpose; such funding is estimated to be approximately \$142,000 in fiscal 2017 and \$567,000 in fiscal 2018.

Location of Provisions in the Bill: Sections 21, 22, and 23 (pp. 58-59)

Analysis prepared by: Jared S. Sussman

Maryland Transit Administration – Baltimore City Public Schools Students

Provisions in the Bill: Authorize Baltimore City Public Schools (BCPS) students, for fiscal 2018 only, to ride Maryland Transit Administration (MTA) transit vehicles at no charge for school-related or educational extracurricular activities only. Authorize highway user fee revenues distributed to Baltimore City to be used to pay for or finance MTA fares for eligible students. Prohibit MTA from charging Baltimore City more than \$5,484,423 for this service for the 2017-2018 school year.

Agency: Maryland Department of Transportation

Type of Action: Administrative

State Effect: Transportation Trust Fund revenues decrease in fiscal 2018, likely by a minimal amount, to the extent the cost of ridership exceeds the cap on the amount that may be charged. The amount of any decrease equals the amount by which the cost of ridership exceeds the \$5,484,423 cap. Since the 2012-2013 school year, the cost of this service has ranged from between \$5.2 million and \$5.9 million. In the 2015-2016 school year, Baltimore City paid \$5.5 million for this service.

Local Effect: BCPS expenditures decrease by \$5.5 million in fiscal 2018, while Baltimore City expenditures increase by \$5.5 million. Baltimore City is authorized to use its share of highway user revenues, which increase by \$5,484,423 in the fiscal 2018 budget.

Program Description: Certain public school students in Baltimore City use MTA buses to travel to and from school. BCPS reimburses MTA for the costs of this service. Students participating in the ridership program are issued nontransferable monthly passes, which allow the use of MTA buses, metro, and light rail systems at no cost, from 5 a.m. through 6 p.m. on school days. Under the current contract, BCPS must develop eligibility requirements for free ridership for students. For example, MTA advises that students who live within walking distance of their schools are generally not eligible for ridership, and BCPS advises that elementary school students are generally not eligible but may be provided free ridership if traveling with an older, eligible sibling or with a parent/guardian.

Location of Provisions in the Bill: Section 24 (p. 59)

Analysis prepared by: Steve D. McCulloch

Catastrophic Event Account

Provision in the Bill: Authorizes the Governor, by June 30, 2018, to transfer funds from the Catastrophic Event Account for (1) the Developmental Disabilities Administration (DDA) to reimburse clients for excess contributions to care payments made from January 2013 through June 2014, as identified by the Office of Legislative Audits' November 2016 audit of DDA; (2) Maryland local public safety agencies whose federal funds have been reduced for refusing to participate in the enforcement of federal immigration laws; (3) Maryland Public Television (MPT), if the entity's federal funds are reduced or eliminated; and (4) the Home Delivered Meals Program supported by the Maryland Department of Aging (MDOA), if federal funds that support the program are reduced or eliminated.

Agencies: Department of Health and Mental Hygiene, Maryland Department of Aging, Maryland Public Broadcasting Commission

Type of Action: Administrative

State Effect: To the extent that specified conditions are met and the Governor elects to transfer funds, special fund expenditures for DDA, MDOA, and/or the Maryland Public Broadcasting Commission may increase in fiscal 2018 by an indeterminate amount.

Local Effect: To the extent local public safety agencies lose federal funds for refusing to participate in the enforcement of federal immigration laws and the Governor elects to transfer funds, local revenues may increase in fiscal 2018 by an indeterminate amount.

Program Description: The Catastrophic Event Account was established in 1990 to enable the State to respond quickly to a natural disaster or catastrophe that could not be addressed within existing State appropriations. The account is supported by general fund appropriations in the budget bill. Prior to transferring funds by budget amendment to the appropriate Executive Branch agency, the Administration must notify the Legislative Policy Committee of the proposed amendment and allow the committee 45 days to review and approve the proposed amendment. The current balance of the fund is \$7.1 million.

Recent History: The Budget Reconciliation and Financing Act of 2009 authorized the transfer of \$7.4 million from the account to the general fund in fiscal 2010.

Location of Provision in the Bill: Section 25 (p. 59)

Analysis prepared by: Patrick S. Frank

Prince George's County Regional Medical Center

Provisions in the Bill: Alter the amount of operating grants the State is currently required to provide in fiscal 2018 through 2021, to ensure and assist in the transition of a new Prince George's County Regional Medical Center (PGCRMC) to the University of Maryland Medical System (UMMS). Require the Governor to include an annual appropriation of \$10.0 million for additional operating grants in fiscal 2022 through 2028. Restructure mandated capital appropriations that the Governor must include in the capital or operating budget bill for the construction of PGCRMC in fiscal 2018 through 2020. Express legislative findings related to funding for PGCRMC.

Agency: Department of Health and Mental Hygiene

Type of Action: Mandate

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	(\$2.0)	\$12.0	\$10.0	\$10.0	\$10.0
Bond Exp	\$0	(\$56.2)	\$0	\$56.2	\$0	\$0

State Effect: General fund expenditures increase by a total of \$100.0 million to provide operating grants to PGCRMC: \$40.0 million in FY 2018 through 2022 (shown above) and an additional \$60.0 million in FY 2023 through 2028. The fiscal 2018 budget includes a \$2.0 million general fund reduction contingent on legislation reducing the operating grant for PGCRMC. The provisions restructure existing capital funding requirements, assumed to be provided with general obligation (GO) bonds, but do not increase total capital funding required.

Local Effect: The provisions do not alter the amounts or timing of current funding requirements for Prince George's County related to PGCRMC.

Program Description/Recent History: Operating funding is provided to UMMS to assist in the transition of a new PGCRMC to UMMS. In accordance with a 2008 memorandum of understanding (MOU) between the State, Prince George's County, and Dimensions Health Care, a financial commitment of \$150.0 million in operating funds was to be provided over five years, split equally between each party, and \$24.0 million in State capital funding was to be provided over three years. The MOU was updated in calendar 2011 to include UMMS and the University System of Maryland. Operating funding of \$15.0 million was provided by the State in fiscal 2011 through 2015. In fiscal 2016, no operating funds were provided. The fiscal 2017 budget includes \$15.0 million through a supplemental budget.

Chapter 13 of 2016 restricted the use of operating grants to PGCRMC for (1) providing increased access to critical health care services for the region served by PGCRMC and improving the quality of services provided and (2) facilitating cost containment measures to prevent additional operating losses for PGCRMC and its affiliated institutions. As shown in **Exhibit 2**, Chapter 13 provided for up to \$55.0 million of operating grant support to UMMS for PGCRMC between fiscal 2018 and 2021.

The fiscal 2018 budget includes \$30.0 million, with a \$15.0 million general fund reduction contingent on legislation reducing the operating grant for PGCRMC. While a \$15.0 million grant is appropriated in the fiscal 2017 budget, the fiscal 2018 budget includes a negative deficiency reducing the appropriation to \$7.5 million in fiscal 2017.

Exhibit 2
Operating and Capital Funding for Prince George's County Regional Medical Center
Current Law vs. HB 152 of 2017
Fiscal 2018-2028
(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2028¹</u>	<u>Total</u>
Operating Funding							
Current Law	\$30.0	\$15.0	\$5.0	\$5.0	\$0.0	\$0.0	\$55.0
Under HB 152 of 2017	28.0	27.0	15.0	15.0	10.0	60.0	155.0
Capital Funding							
Current Law	\$67.5	\$48.0	\$0.0	\$0.0	\$0.0	\$0.0	\$115.5
Under HB 152 of 2017	11.3	48.0	56.2	0.0	0.0	0.0	115.5

¹Reflects a \$10.0 million mandated annual appropriation in fiscal 2023 through 2028, for a total of \$60.0 million.

Note: Chapter 13 of 2016 committed the State to \$15.0 million to be provided in fiscal 2018 or \$30.0 million if a grant of \$15.0 million was not provided in a fiscal 2016 deficiency appropriation. No deficiency appropriation was provided in fiscal 2016.

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 1 (pp. 24-26 and pp. 50-51)

Analysis prepared by: Lindsey B. Holthaus and Jennifer B. Chasse

Senatorial and Delegate Scholarships

Provisions in the Bill: Require funding for senatorial scholarships, beginning in fiscal 2020, to grow in the same manner as funding for delegate scholarships. Funding must reflect growth in the tuition and mandatory fees of the undergraduate program at the public four-year institution (excluding University of Maryland University College and University of Maryland, Baltimore Campus) with the highest annual expenses for a full-time resident undergraduate. Make a technical correction related to fifth-year extension awards under the senatorial scholarship program. Clarify the calculation of the required funding increase for delegate scholarships each year.

Agency: Maryland Higher Education Commission

Type of Action: Mandate

Fiscal	<i>(\$ in dollars)</i>					
Impact:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
GF Exp	\$0	\$0	\$0	\$194,580	\$394,997	\$601,427

State Effect: Beginning in fiscal 2020, general fund expenditures increase by \$194,580. Future years reflect anticipated 3% annual growth in tuition and mandatory fees and the cumulative impact of the annual increases.

Local Effect: None.

Program Description: Each Maryland State senator receives an annual appropriation to make financial aid awards to students pursuing higher education who live in the senator's respective district. Awards may be renewed for a total of up to four years of full-time study. New funding per senator in each fiscal year has been set in statute at \$34,500 since fiscal 1992, whereas delegate scholarships increase each year to reflect growth in tuition and mandatory fees at the public four-year institution with the highest annual expense for a full-time resident undergraduate (excluding the University of Maryland University College and the University of Maryland, Baltimore Campus).

Location of Provisions in the Bill: Section 1 (pp. 16-17)

Analysis prepared by: Garret T. Halbach

Appendix B
(\$ in Dollars)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>GENERAL FUND REVENUES</u>						
Revenue Stabilization Account (Rainy Day Fund)	\$170,000,000	\$0	\$0	\$0	\$0	\$0
University System of Maryland Fund Balance Transfer	30,000,000	0	0	0	0	0
Volkswagen Clean Diesel and Moody's Corporation Settlements	18,000,000	0	0	0	0	0
Video Lottery Terminal Revenues	0	15,688,068	0	0	0	0
Maryland Correctional Enterprises Revolving Fund	2,500,000	0	0	0	0	0
Horse Racing Special Fund	500,000	0	0	0	0	0
TOTAL GENERAL FUND REVENUES	\$221,000,000	\$15,688,068	\$0	\$0	\$0	\$0
<u>SPECIAL FUND REVENUES</u>						
Supplemental Pensions Contribution (Sweeper)	\$0	(\$55,769,368)	\$0	\$4,000,000	\$4,100,000	\$4,200,000
Medicaid Deficit Assessment	0	25,000,000	15,000,000	5,000,000	5,000,000	5,000,000
Video Lottery Terminal Revenues	0	(15,688,068)	0	0	0	0
Health Care Commissions	0	5,200,024	5,387,261	5,583,238	5,788,427	6,003,332
Economic Development Opportunities Program Account (Sunny Day)	0	0	5,000,000	5,000,000	5,000,000	0
Horse Racing Special Fund	(500,000)	0	0	0	0	0
TOTAL SPECIAL FUND REVENUES	(\$500,000)	(\$41,257,412)	\$25,387,261	\$19,583,238	\$19,888,427	\$15,203,332
<u>FEDERAL FUND REVENUES</u>						
Fiscal 2017 Budget Actions	(\$1,040,000)	\$0	\$0	\$0	\$0	\$0
Health Care Commissions	0	187,283	198,520	210,431	223,057	236,440
TOTAL FEDERAL FUND REVENUES	(\$1,040,000)	\$187,283	\$198,520	\$210,431	\$223,057	\$236,440

<u>GENERAL FUND EXPENDITURES</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<i>Mandates</i>						
Prince George's County Regional Medical System	\$0	(\$2,000,000)	\$12,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Senatorial and Delegate Scholarships	0	0	0	194,580	394,997	601,427
<i>Subtotal – Mandates</i>	<i>\$0</i>	<i>(\$2,000,000)</i>	<i>\$12,000,000</i>	<i>\$10,194,580</i>	<i>\$10,394,997</i>	<i>\$10,601,427</i>
<i>Mandate Relief</i>						
Supplemental Pensions Contribution (Sweeper)	\$0	(\$50,000,000)	\$0	\$3,360,000	\$3,444,000	\$3,528,000
Revenue Stabilization Account (Rainy Day Fund)	0	(40,000,000)	0	0	0	0
Strategic Demolition and Smart Growth Impact Fund	0	(25,625,000)	0	0	0	0
Medicaid Deficit Assessment	0	(25,000,000)	(15,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Baltimore Regional Neighborhood Initiative Program	0	(12,000,000)	0	0	0	0
Public School Opportunities Enhancement Program	0	(5,000,000)	0	0	0	0
Seed Community Development Anchor Institution Fund	0	(5,000,000)	0	0	0	0
Shelter and Transitional Housing Facilities Grant Program	0	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Teacher Induction, Retention, and Advancement Pilot Program	0	(2,900,000)	0	0	0	0
Next Generation Farmland Acquisition Program	0	(2,500,000)	2,500,000	0	0	0
Local Income Tax Disparity Grant	0	(2,414,665)	0	0	0	0
Teacher Stipends	0	(2,050,000)	0	0	0	0
Core Public Health Services Funding Formula	0	(747,276)	(765,211)	(788,167)	(813,389)	(840,231)
State Aid for Police Protection	0	(465,142)	0	0	0	0
<i>Subtotal – Mandate Relief</i>	<i>\$0</i>	<i>(\$176,702,083)</i>	<i>(\$16,265,211)</i>	<i>(\$5,428,167)</i>	<i>(\$5,369,389)</i>	<i>(\$5,312,231)</i>
<i>Fund Swaps and Cost Shifts</i>						
Video Lottery Terminal Revenues	\$0	\$0	(\$15,889,466)	(\$16,127,808)	\$0	\$0
Maryland Community Health Resources Commission Fund	0	(3,000,000)	0	0	0	0
Senior Prescription Drug Assistance Program Fund	0	(1,086,000)	0	0	0	0
Economic Development Opportunities Program Account (Sunny Day)	0	0	5,000,000	5,000,000	5,000,000	0
<i>Subtotal – Fund Swaps and Cost Shifts</i>	<i>\$0</i>	<i>(\$4,086,000)</i>	<i>(\$10,889,466)</i>	<i>(\$11,127,808)</i>	<i>\$5,000,000</i>	<i>\$0</i>
<i>Cost Control and Administrative</i>						
Fiscal 2017 Budget Actions	(\$2,428,000)	\$0	\$0	\$0	\$0	\$0
Health Care Commissions	0	(912,717)	(934,480)	(956,559)	(978,943)	(1,001,619)
Funding for the Arts	0	0	0	0	0	(1,040,000)
<i>Subtotal – Administrative</i>	<i>(\$2,428,000)</i>	<i>(\$912,717)</i>	<i>(\$934,480)</i>	<i>(\$956,559)</i>	<i>(\$978,943)</i>	<i>(\$2,041,619)</i>
TOTAL GENERAL FUND EXPENDITURES	(\$2,428,000)	(\$183,700,800)	(\$16,089,157)	(\$7,317,954)	\$9,046,665	\$3,247,577

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<u>SPECIAL FUND EXPENDITURES</u>						
Medicaid Deficit Assessment	\$0	\$25,000,000	\$15,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Video Lottery Terminal Revenues	0	(15,688,068)	0	0	0	0
Health Care Commissions	0	5,200,024	5,387,261	5,583,238	5,788,427	6,003,332
Economic Development Opportunities Program Account (Sunny Day)	0	0	5,000,000	5,000,000	5,000,000	0
Supplemental Pensions Contribution (Sweeper)	0	(3,690,459)	0	320,000	328,000	336,000
Senior Prescription Drug Assistance Program Fund	0	1,086,000	0	0	0	0
Use of Bay Restoration Fund for Biological Nutrient Removal	89,000	2,700,000	2,700,000	6,195,000	6,197,725	6,198,250
Fiscal 2017 Budget Actions	968,000	0	0	0	0	0
TOTAL SPECIAL FUND EXPENDITURES	\$1,057,000	\$14,607,497	\$28,087,261	\$22,098,238	\$22,314,152	\$17,537,582
<u>FEDERAL FUND EXPENDITURES</u>						
Supplemental Pensions Contribution (Sweeper)	\$0	(\$2,078,909)	\$0	\$320,000	\$328,000	\$336,000
Fiscal 2017 Budget Actions	(1,040,000)	0	0	0	0	0
Health Care Commissions	0	187,283	198,520	210,431	223,057	236,440
TOTAL FEDERAL FUND EXPENDITURES	(\$1,040,000)	(\$1,891,626)	\$198,520	\$530,431	\$551,057	\$572,440
<u>OTHER FUNDS EXPENDITURES</u>						
Bay Restoration Fund for Biological Nutrient Removal (Rev Bonds)	\$10,911,000	\$49,089,000	\$0	\$0	\$0	\$0
Bay Restoration Fund for Biological Nutrient Removal (GO Bonds)	(11,000,000)	(49,089,000)	0	0	0	0
Prince George's County Regional Medical System	0	(56,200,000)	0	56,200,000	0	0
Strategic Demolition and Smart Growth Impact Fund (GO Bonds)	0	25,625,000	0	0	0	0
Shelter and Transitional Housing Facilities Grant Program (GO Bonds)	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Baltimore Regional Neighborhood Initiative Program Fund (GO Bonds)	0	8,000,000	0	0	0	0
TOTAL OTHER FUNDS EXPENDITURES	(\$89,000)	(\$19,575,000)	\$3,000,000	\$59,200,000	\$3,000,000	\$3,000,000

Appendix C
Impact on Local Jurisdictions of Selected Provisions of HB 152 of 2017
Fiscal 2018
(\$ in Dollars)

County	Public Schools¹	Core Public Health Formula	State Aid for Police Protection²	Local Income Tax Disparity Grants	Retirement Aid	Total Aid Reductions
Allegany		(\$21,261)	\$8,591	\$0	(\$403,706)	(\$416,376)
Anne Arundel	(\$950,000)	(62,979)	(65,984)	0	(3,224,776)	(4,303,739)
Baltimore City		(124,100)	0	0	(3,218,325)	(3,342,425)
Baltimore		(81,859)	(59,522)	0	(4,477,261)	(4,618,642)
Calvert		(9,099)	(1,555)	0	(660,718)	(671,372)
Caroline		(10,960)	(351)	0	(222,967)	(234,278)
Carroll		(25,174)	742	0	(979,198)	(1,003,630)
Cecil		(16,969)	(1,225)	0	(647,796)	(665,990)
Charles		(21,941)	(12,447)	0	(1,095,466)	(1,129,854)
Dorchester		(9,377)	(2,117)	0	(190,184)	(201,678)
Frederick		(30,702)	(3,525)	0	(1,609,693)	(1,643,920)
Garrett		(9,654)	3,654	0	(166,339)	(172,339)
Harford		(34,860)	1,111	0	(1,397,527)	(1,431,276)
Howard		(26,179)	(46,140)	0	(2,839,611)	(2,911,930)
Kent		(8,245)	(1,642)	0	(84,933)	(94,820)
Montgomery		(59,910)	(142,670)	0	(7,817,371)	(8,019,951)
Prince George's		(95,674)	(140,793)	(1,816,308)	(5,579,689)	(7,632,464)
Queen Anne's		(8,680)	(724)	0	(303,908)	(313,312)
St. Mary's		(16,078)	(8,731)	0	(655,042)	(679,851)
Somerset		(8,736)	(1,138)	(114,083)	(131,595)	(255,551)

County	Public Schools¹	Core Public Health Formula	State Aid for Police Protection²	Local Income Tax Disparity Grants	Retirement Aid	Total Aid Reductions
Talbot		(7,339)	2,645	0	(175,592)	(180,286)
Washington		(27,135)	(350)	0	(861,382)	(888,867)
Wicomico		(19,738)	(11,737)	(484,274)	(607,472)	(1,123,221)
Worcester		(10,627)	18,766	0	(342,925)	(334,786)
Unallocated	(9,000,000)					(9,000,000)
Total	(\$9,950,000)	(\$747,276)	(\$465,142)	(\$2,414,665)	(\$37,693,475)	(\$51,270,558)

¹Public Schools includes reductions for Teacher Development programs (a pilot program and teacher stipends available statewide, totaling \$4.0 million) and the Public School Opportunities Enhancement Program (\$5.0 million), which are unallocated; another \$950,000 for the Anne Arundel County Public Schools stipend program is reflected as a reduction for Anne Arundel County.

²Statewide level-funding the Police Aid Formula results in increases in police aid for some counties.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2017

BILL NUMBER: HB152/SB172

PREPARED BY: GLO
(Dept./Agency/GLO)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS