SB 187

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 187 (The President)(By Request - Administration)
Budget and Taxation Appropriations

Budget Reconciliation and Financing Act of 2018

This Administration bill executes actions to enhance revenues, provide mandate relief, and reduce future year general fund expenditures. **The bill generally takes effect June 1, 2018.**

Fiscal Summary

State Effect: In FY 2018, general fund revenues increase by $9.0 million and special fund revenues increase by $1.8 million due to transfers. In FY 2019, general fund revenues decline by $200.0 million from a transfer, while special fund revenues increase by $140.0 million, mainly due to a transfer offset by cost shifts and other actions. General fund expenditures decline by $5.3 million in FY 2018 and $274.6 million in FY 2019, due to mandate relief, cost control, and other actions, while special fund expenditures decrease by $6.8 million in FY 2019, due to mandate relief, fund swaps, and other actions. Federal funds are also affected. Future estimates reflect the ongoing effects of the bill. **The bill affects existing mandated appropriations.**

($ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	$9.0	($200.0)	$229.0	$106.0	$0
SF Revenue	$1.8	$140.0	($231.5)	($104.5)	$16.6
FF Revenue	($3.0)	$0	$0	$0	$0
GF Expenditure	($5.3)	($274.6)	($2.2)	$1.5	$16.7
SF Expenditure	($0.1)	($6.8)	($1.4)	($1.1)	$14.0
FF Expenditure	($3.0)	($4.6)	$0.6	$1.0	$1.0
Net Effect	$16.2	$226.1	$0.5	$0.1	($15.2)

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 $7.6 million in FY 2019, including $4.2 million of K-12 education aid, and $3.4 million in the Program Open Space (POS) local share.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached as page 63). (The attached assessment does not reflect amendments to the bill.) The Department of Legislative Services (DLS) generally concurs with this assessment. However, at least one provision (a reduction in funding for the Baltimore Regional Neighborhood Initiative Program) has a meaningful impact on small business in the State.

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 measures.

Revenue Enhancements and Transfers to the General Fund

- Authorizes the transfer of $9.0 million from the University System of Maryland's fund balance to the general fund in fiscal 2018.

Mandate Relief

- Reduces the fiscal 2019 general fund appropriation for the Rainy Day Fund by $148.5 million.
- Repeals the requirement, for fiscal 2019, that the Governor include an appropriation of up to $50.0 million to the State Retirement and Pension System trust fund.
- Repeals the mandated $15.0 million general fund repayment to POS in fiscal 2019, reduces future repayment amounts from $15.0 million to $12.5 million, and adds a repayment requirement in fiscal 2022.
- Alters the amount the Governor is required to reduce the Medicaid Deficit Assessment in fiscal 2019, from $35.0 million to $30.0 million.
- Reduces the amount of funding the Governor must provide for the Baltimore Regional Neighborhood Initiative Program from $12.0 million to $8.0 million in fiscal 2019 only.
- Reduces from $5.0 million to $3.0 million the amount of funding the Governor must provide for the Teacher Induction, Retention, and Advancement Pilot Program for fiscal 2019 only.
- Reduces from $5.0 million to $4.7 million the amount of funding the Governor must provide for the Next Generation Scholars of Maryland Program for fiscal 2019 only.

- Reduces the minimum amount of funding the Governor must provide for State matching contributions to eligible 529 college savings accounts to $3.0 million annually beginning in fiscal 2019.
- Reduces the amount of funding the Governor must provide for the Seed Community Development Anchor Institution Fund from $5.0 million to $4.0 million in fiscal 2019 only.
- Repeals the mandate that the State match stipends for specified Anne Arundel County Public Schools classroom teachers in fiscal 2019.
- Phases in the statutory cap on projected nonwithholding income tax revenues.

Fund Swaps, Cost Shifts, and Cost Control

- Aligns elimination of State prescription drug coverage for Medicare-eligible retirees with the revised closure date for the Medicare Part D coverage gap (donut hole) and clarifies that specified spouses and dependents may remain enrolled in the plan.
- Authorizes the transfer of $1.8 million from the Tuition Stabilization Trust to the Need-based Student Financial Assistance Fund in fiscal 2018.
- Authorizes, for fiscal 2019 only, $8.0 million from the Maryland Trauma Physician Services Fund to be used for Medicaid provider reimbursements.
- Extends the requirement that the Governor provide $2.5 million in mandated funding to the Maryland Agricultural and Resource-Based Industry Development Corporation for the Next Generation Farmland Acquisition Program to fiscal 2020 through 2022 and specifies the source of funding.
- Authorizes the distribution of up to $300,000 of POS funding provided to the Maryland Heritage Areas Authority (MHAA) Financing Fund to the Maryland Historical Trust for noncapital historic preservation grants.
- Limits growth in the fiscal 2019 provider rates set by the Interagency Rates Committee to no more than 3.0% over the rates in effect on June 30, 2018.
- Increases the cap on federal expenditures for Temporary Assistance for Needy Families funds in fiscal 2018 to $256.3 million.
- Reduces the fiscal 2018 general fund appropriation for the Temporary Disability Assistance Program by $1.4 million.
- Reduces the unexpended appropriations for two contracts in the Developmental Disabilities Administration that will not be procured in fiscal 2018.
- Reduces the unexpended special fund appropriation for the Aid to Non-Public Schools Program by $100,000 in fiscal 2018.
- Requires the Maryland Department of Health and the Health Services Cost Review Commission to develop Medicaid-specific hospital cost and total cost-of-care savings targets outside of the all-payer model contract and to submit specified reports on the targets.

Other Measures

- Establishes the Commission on Innovation and Excellence in Education (CIEE) Fund and requires the Comptroller to distribute $200.0 million in individual income tax revenue to the fund by June 30, 2019.
- Authorizes the Maryland Department of the Environment to retain a fund balance in the Maryland Clean Air Fund of up to $6.0 million in fiscal 2018 and 2019 only.
- Clarifies that up to $6.0 million may be transferred from POS funding to the MHAA Financing Fund, with the first $3.0 million coming from the total amount allocated to POS, and up to an additional $3.0 million coming from the State's share of POS funding dedicated to land acquisition.
- Clarifies that the Judiciary may include in its budget request the necessary funds to implement the recommendations of the Judicial Compensation Commission.
- Specifies the base amount that is included in the formula for Core Public Health Services funding and clarifies the fiscal year date and data sources used in the formula calculation.
- Clarifies that both interior and exterior demolition can be done using funds from the Strategic Demolition and Smart Growth Impact Fund.
- Clarifies the definition of "interagency agreements" that the Department of Budget and Management (DBM) must review and repeals an obsolete reporting requirement.
- Requires the Bureau of Revenues Estimates (BRE) to include in its existing revenue reports to the Board of Revenue Estimates a statement of estimated revenues from premium taxes and requires the Maryland Insurance Administration to submit specified information to BRE.
- Repeals the requirement that appropriations from the Dedicated Purpose Account and budget amendments transferring funds from the Catastrophic Event Account be approved by the Legislative Policy Committee (LPC) and instead provides LPC with a 45-day and 15-day review and comment period, respectively.
- Extends the $10.0 million annual repayment to the Local Income Tax Reserve Account beyond fiscal 2025.
- Requires the Maryland Department of Transportation to use a specified rate of change in calculating departmental operating expenses in years three through six of the Transportation Trust Fund forecast.
- Repeals the requirement that certain speed camera revenues distributed to the Department of State Police be used to fund roadside enforcement activities and instead requires ongoing funding for motor vehicle purchases.
- Allows any unexpended fiscal 2018 funds provided to local area agencies on aging to be encumbered and expended in fiscal 2019.

- Allows certain unexpended fiscal 2019 funding for school safety to be encumbered and spent in fiscal 2020.
- Authorizes the State Board of Elections to encumber up to $650,000 of the unexpended fiscal 2018 appropriation for major information technology development projects for election-related activities in fiscal 2019.
- Allocates a portion of admissions and amusement (A&A) tax revenues accruing to the Special Fund for the Preservation of Cultural Arts (POCA) to an annual grant of $250,000 to the Maryland Historical Society beginning in fiscal 2020.
- Authorizes the Governor to appropriate up to $450,000 of the unappropriated revenue deposited in POCA in fiscal 2018 for the Maryland Academy of Sciences.
- Restricts up to $650,000 in POCA fund balance and anticipated revenues that are not included in the fiscal 2018 or 2019 budget for a one-time supplemental grant to the Baltimore Symphony Orchestra.
- Authorizes the transfer of $650,000 in funds from A&A revenue to be used for specified grants in fiscal 2019.
- Requires any funds received by the State as a result of conditions of an approved merger between AltaGas, Ltd. and WGL Holdings, Inc. be expended only as specifically authorized through the State budget bill or other legislation.
- Requires, for fiscal 2020 only, DLS, DBM, and the Maryland State Department of Education to jointly determine the appropriate regional Consumer Price Index (CPI) to be used in place of the Washington-Baltimore metropolitan area CPI to calculate specified education formulas.
- Requires CIEE to recommend, in its final report by December 31, 2018, the appropriate inflationary indices to be used in State education aid formulas.
- Requires DLS to identify specified statutory provisions referencing the Washington-Baltimore metropolitan area CPI and make recommendations as to the appropriate regional CPI to be used in its place.
- Establishes the intent of the General Assembly that specified licensed entities be authorized to operate any electronic instant bingo machine approved by the State Lottery and Gaming Control Commission.

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 2017, BRE lowered its general fund estimate for fiscal 2018 by $73.2 million in light of revised economic assumptions and year-to-date performance. BRE also raised the fiscal 2019 general fund revenue estimate by $11.0 million. Taking into consideration the BRE revenue projections, the Spending Affordability Committee (SAC) projected a general fund deficit of $63.2 million at the end of fiscal 2018.

The baseline projection for fiscal 2019 reflects general fund growth of 5.3% when capital and reserve fund appropriations are included, resulting in an ending general fund deficit of $287.0 million. In recognition of this outlook, SAC recommended that the fiscal 2019 budget should eliminate 100% of the structural deficit and that the fiscal 2019 budget should leave a closing fund balance of $100.0 million. SAC recommended that the Rainy Day Fund balance be maintained at 5.0% of estimated general fund revenue.

State Fiscal Effect: Estimates of the fiscal 2018 and 2019 impact of the bill on the State general fund are shown in **Exhibit 1**.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2018
Fiscal 2018 and 2019
($ in Millions)

	FY 2018	FY 2019
Revenues		
Transfers	$9.0	($200.0)
Expenditures		
Mandate Relief	$0.0	($231.7)
Fund Swaps and Cost Shifts	(5.3)	(42.9)
Expenditure Subtotal	*(5.3)*	*(274.6)*
General Fund Impact	**$14.3**	**$74.6**

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 8). The fiscal 2018 through 2023 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 2019 budget are included with the discussions. **Appendix B** (beginning on page 60) 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 as discussed below. The fiscal 2019 impact by county for most such provisions is shown in **Appendix C** on page 62.

Program Open Space: The POS Local allocation decreases by $3.4 million in fiscal 2019 and increases by $2.8 million in fiscal 2022.

Public Schools: Funding for public schools decreases by $4.2 million in fiscal 2019 due to reductions in funding for the Teacher Induction, Retention, and Advancement Pilot Program ($2.0 million); Anne Arundel County Teacher Stipends ($1.9 million); and Next Generation Scholars of Maryland Program ($300,000).

Additional Information

Prior Introductions: None.

Cross File: HB 161 (The Speaker)(By Request - Administration) - Appropriations.

Information Source(s): *Spending Affordability Committee Report and Recommendations to the Governor and the Legislative Policy Committee*, December 2017; Maryland Association of County Health Officers; Department of Commerce; Comptroller's Office; Maryland State Department of Education; Maryland Higher Education Commission; Baltimore City Community College; University of Maryland Medical System; University System of Maryland; Maryland Independent College and University Association; College Savings Plans of Maryland; Department of Budget and Management; Maryland Department of the Environment; Maryland Department of Health; Department of Housing and Community Development; Department of Human Services; Department of Natural Resources; Maryland Department of Planning; Board of Public Works; State Department of Assessments and Taxation; State Retirement Agency; Department of Legislative Services

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University System of Maryland Fund Balance Transfer

Provision in the Bill: Authorizes the transfer of $9.0 million from the State-supported portion of University System of Maryland (USM) fund balance to the general fund in fiscal 2018.

Agency: University System of Maryland

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Rev	$9.0	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund revenues increase by $9.0 million in fiscal 2018 as a result of the transfer. An estimated $232.8 million remains in the State-supported portion of the fund balance after the transfer. This provision implements a previously announced action taken by the Board of Public Works on September 6, 2017.

Local Effect: None.

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, $31.0 million in fiscal 2014, and $30.0 million in fiscal 2017. A portion of the fiscal 2010 transfer was related to furlough savings.

Location of Provision in the Bill: Section 3 (p. 37)

Analysis prepared by: Sara J. Baker

Revenue Stabilization Account (Rainy Day Fund)

Provision in the Bill: Reduces the fiscal 2019 general fund appropriation into the Revenue Stabilization Account (Rainy Day Fund) by $148,519,000.

Agency: None.

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Exp	$0	($148.5)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $148.5 million in fiscal 2019. The fiscal 2019 budget includes a $148.5 million general fund reduction, contingent on legislation reducing the mandate. The fiscal 2019 ending balance in the Rainy Day Fund is projected to be $882.5 million, reflecting the reduced appropriation. The ending fund balance reflects 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. Section 7-311 of the State Finance and Procurement Article requires that, 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. A sweeper provision requires that an amount equal to unappropriated revenues be appropriated into the fund two years after the close of each fiscal year. In fiscal 2019 and 2020, surpluses above $10.0 million are shared equally between the Rainy Day Fund and Pension System, with the pension general fund appropriations limited to $50.0 million. Beginning in fiscal 2021, surpluses above $10.0 million are shared among the Rainy Day Fund (receiving 50%), Pension System (receiving 25%), and Postretirement Health Benefits Trust Fund (receiving 25%), with pension and health general fund appropriations each limited to $25.0 million.

Location of Provision in the Bill: Section 2 (p. 37)

Analysis prepared by: Patrick S. Frank

Supplemental Pension Contribution (Sweeper)

Provision in the Bill: Repeals the requirement, for fiscal 2019 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	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
SF Rev	$0	($50.0)	$0	$4.00	$4.10	$4.29
GF Exp	$0	($50.0)	$0	$3.36	$3.44	$3.61
SF Exp	$0	$0	$0	$0.32	$0.33	$0.34
FF Exp	$0	$0	$0	$0.32	$0.33	$0.34

State Effect: General fund expenditures decrease by $50.0 million in fiscal 2019 due to repeal of the mandated appropriation; special fund revenues for the trust fund decrease commensurately. The fiscal 2019 budget includes a $50.0 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 2021, which represents the amortized cost of not making the fiscal 2019 payment. The amortized costs do not begin until fiscal 2021 because the actuarial loss resulting from the missed payment is not recognized until the June 30, 2019 actuarial valuation of SRPS assets and liabilities. That valuation report determines State pension contributions for fiscal 2021. Amortization payments increase annually based on actuarial assumptions and are assumed to be allocated 84% general funds, 8% special funds, and 8% federal and other funds.

Local Effect: None. The State pension contribution that is being repealed represents a State payment in excess of the required State contribution for local employees, so there is no reduction in State pension contributions that are made on behalf of local governments.

Program Description: The Budget Reconciliation and Financing Act (BRFA) of 2015 (Chapter 489) 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. 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% 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%, funds may only be transferred contingent on separate authorizing legislation.

Chapter 557 of 2017 extends the required payment indefinitely beyond fiscal 2020 (for years in which the unappropriated general fund balance exceeds $10.0 million), and requires that it be evenly divided between the SRPS trust fund and the Postretirement Health Benefits Trust Fund, up to a combined total of $50.0 million.

Recent History: The unappropriated general fund balance exceeded $10.0 million in fiscal 2015 ($295.3 million), fiscal 2016 ($196.5 million), and fiscal 2017 ($256.3 million). At these levels, the maximum $50.0 million contribution to the SRPS trust fund was made in fiscal 2017. However, the fiscal 2018 contribution was suspended, for that year only, by a provision in the BRFA of 2017. The provision does not affect the required payments, if any, for fiscal 2020 and beyond.

Location of Provision in the Bill: Section 1 (pp. 27-29)

Analysis prepared by: Michael C. Rubenstein

Program Open Space Repayment and Additional Next Generation Farmland Acquisition Program Funding

Provisions in the Bill: Repeal the mandated $15.0 million general fund repayment to Program Open Space (POS) in fiscal 2019, reduce future repayment amounts from $15.0 million to $12.5 million, and add a repayment requirement in fiscal 2022. Extend the requirement that the Governor provide $2.5 million in mandated funding to the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the Next Generation Farmland Acquisition Program to fiscal 2020 through 2022. Funding must come from a portion of the repayment of prior year transfer tax diversions to the general fund that would have otherwise been allocated through the POS formula.

Agency: Department of Natural Resources (DNR), Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief; new or expanded uses of existing revenues

Fiscal			*($ in millions)*			
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
SF Rev	$0	($15.0)	($2.5)	($2.5)	$12.5	$0
GF Exp	$0	($15.0)	$0	$0	$15.0	$0
SF Exp	$0	($15.0)	($2.5)	($2.5)	$12.5	$0

State Effect: General and special fund expenditures decrease by $15.0 million in fiscal 2019. Special fund revenues also decrease by $15.0 million. The fiscal 2019 budget includes language that reduces the general fund appropriation for the Dedicated Purpose Account by $15.0 million, contingent upon the enactment of legislation adjusting the repayment schedule for programs supported by the transfer tax. In fiscal 2020 and 2021, general fund expenditures decrease by $2.5 million from a reduction in the repayment amount for POS, offset by an equivalent increase in funding for the Next Generation Farmland Acquisition Program. Special fund revenues and expenditures for POS decrease correspondingly.

In fiscal 2022, general fund expenditures increase by a combined $15.0 million – $2.5 million for the Next Generation Farmland Acquisition Program and $12.5 million to repay POS; special fund revenues and expenditures for POS increase correspondingly.

The $2.5 million reduction in funding allocated through the POS formula in fiscal 2020 and 2021 results in the following program reductions:

- POS – State Land Acquisition – $710,781;
- POS – Local – $563,625;
- Maryland Agricultural Land Preservation Foundation (MALPF) – $426,250;
- Forest and Park Service – $375,750;
- POS Capital Development – $253,594;
- Rural Legacy Program – $125,000; and
- Heritage Conservation Fund – $45,000.

In fiscal 2022, due to the additional year of repayment, funding for those programs instead increases by a total of $12.5 million.

Exhibit 2 reflects fiscal 2019 funding under current law and under the bill.

Local Effect: Local governments receive grants for land acquisition, the development of park and recreational facilities, and the purchase of easements funded through the local share of POS, Rural Legacy, and MALPF. Under this provision, the POS – Local allocation decreases by $3.4 million in fiscal 2019, decreases by $0.6 million in fiscal 2020 and 2021, and increases by $2.8 million in fiscal 2022. The POS – Local allocation by jurisdiction for fiscal 2019 under current law and the bill is shown in Appendix C.

Program Description: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another has been used to fund several land conservation programs in DNR and MDA. Transfer tax revenues are allocated as follows:

- First, transfer tax revenues for debt service on POS Acquisition Opportunity Loan of 2009 general obligation bond authorizations are credited to the Annuity Bond Fund.
- Second, before any program-specific allocations are made, 3% of the transfer tax is distributed to DNR and the other agencies involved in POS for administration of the program.
- Third, approximately 76% of the remaining transfer tax historically has been allocated to POS, which has four main components: a State share; a local share; a Forest Service/Maryland Park Service operations share; and an amount that may be transferred to the Maryland Heritage Areas Authority within the Maryland Department of Planning. All other funds are allocated to the Rural Legacy Program, MALPF, and the Heritage Conservation Fund.

Exhibit 2
Transfer Tax Funding Under Current Law and Under the Bill
Fiscal 2019

	Fiscal 2019 Current Law	Fiscal 2019 Budget Reconciliation	Difference
Revenues			
Revenue Estimate	$221,902,552	$221,902,552	$0
Overattainment	25,108,596	25,108,596	0
Transfer to General Fund	0	0	0
Repayment – Fiscal 2006 Transfer – Critical Maintenance/NRDF	6,000,000	6,000,000	0
Repayment – Fiscal 2006 Transfer – Distributed through Formula	*15,000,000*	*0*	-15,000,000
Total Revenue	**$268,011,148**	**$253,011,148**	**-$15,000,000**
Expenditures			
Administrative Expenses	$6,657,077	$6,657,077	$0
Debt Service	7,059,179	7,059,179	0
MHAA	6,000,000	6,000,000	0
Forest and Park Service	38,379,717	36,125,217	-2,254,500
DNR – Land Acquisition and Planning			
POS – State Share	61,988,254	55,932,004	-6,056,250
POS – Local Share	55,769,575	52,387,825	-3,381,750
Rural Legacy Program	20,767,704	20,017,704	-750,000
NRDF	14,356,000	14,356,000	0
Critical Maintenance Program	13,000,000	13,000,000	0
Ocean City Beach Maintenance	1,000,000	1,000,000	0
MDA – MALPF	43,033,642	40,476,142	-2,557,500
Total Expenditures	**$268,011,148**	**$253,011,148**	**-$15,000,000**

DNR: Department of Natural Resources
MALPF: Maryland Agricultural Land Preservation Foundation
MDA: Maryland Department of Agriculture
MHAA: Maryland Heritage Areas Authority
NRDF: Natural Resources Development Fund
POS: Program Open Space

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

The Next Generation Farmland Acquisition Program provides for up to 51% of the fair market value purchase price of an agricultural property for a beginning farmer (1) having at least one year of farming experience; (2) not owning a farm or ranch (or owning less than 10 acres); (3) not operating a farm or ranch as a principal operation for more than 10 years; and (4) expecting to substantially participate in the farming operation on the subject property. The funding is used to help the beginning farmer make a down payment on a property. The beginning farmer will have 7 years to sell the permanent farmland conservation easement to a rural land preservation organization – in which case the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) gets repaid and the funds revolve – or the land automatically is enrolled in a permanent easement – MARBIDCO does not get repaid but facilitates a below market rate easement purchase.

Recent History: In recent years, pursuant to budget reconciliation legislation as well as other legislation, State transfer tax revenues and unexpended balances have been redirected and transferred to the general fund and repayment plans have been proposed and modified. Among other things, Chapter 10 of 2016 established a timeline for the repayment of $90.0 million transferred from the transfer tax special fund to the general fund in fiscal 2006 and the repayment of $242.2 million for the partial repayment of transfers that occurred between fiscal 2016 and 2018. The Budget Reconciliation and Financing Act of 2017 (Chapter 23) reduced the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program (one of the components of the repayment of a transfer from fiscal 2006) from $5.0 million to $2.5 million and deferred funding of the remaining $2.5 million to fiscal 2019.

Location of Provisions in the Bill: Section 1 (pp. 31-33)

Analysis prepared by: Andrew Gray and Matthew Klein

Medicaid Deficit Assessment

Provision in the Bill: Alters, from $35.0 million to $30.0 million, the amount by which the Governor is required to reduce the Medicaid Deficit Assessment in fiscal 2019. Thus, the budgeted Medicaid Deficit Assessment required for fiscal 2019 is increased from $329,825,000 to $334,825,000.

Agency: Maryland Department of Health

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
SF Rev	$0	$5.0	$0	$0	$0	$0
GF Exp	$0	($5.0)	$0	$0	$0	$0
SF Exp	$0	$5.0	$0	$0	$0	$0

State Effect: The alteration in the reduction of the Medicaid Deficit Assessment results in a general fund expenditure decrease of $5.0 million in fiscal 2019, while special fund revenues and expenditures increase by $5.0 million. The fiscal 2019 budget includes a general fund contingent reduction of $5.0 million. Out-year expenditures are unchanged.

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 (BRFA) of 2014 (Chapter 464) 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 assessment. The BRFA of 2015 (Chapter 489) 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 assessment. The fiscal 2017 budget was the first to contain a reduction in the assessment, from $389.8 million to $364.8 million. The BRFA of 2017 (Chapter 23) included a one-year delay in the assessment reduction but amended the reduction required in fiscal 2019 and 2020 to $35.0 million in each year, and specified the deficit assessment level.

Location of Provision in the Bill: Section 1 (p. 36)

Analysis prepared by: Simon G. Powell

Baltimore Regional Neighborhood Initiative Program

Provision in the Bill: Reduces the amount of funding that the Governor must provide for the Baltimore Regional Neighborhood Initiative (BRNI) Program from $12.0 million to $8.0 million in fiscal 2019 only.

Agency: Department of Housing and Community Development (DHCD)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0	($4.0)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $4.0 million in fiscal 2019 only. The fiscal 2019 budget includes a $4.0 million general fund reduction, contingent on legislation altering the mandated appropriation for BRNI. The reduction leaves $5.0 million in the operating budget for BRNI, which is supplemented by $3.0 million of general obligation bonds in the capital budget. Mandated funding for fiscal 2020 through 2022, when the mandate is set to expire, remains unchanged.

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. The Budget Reconciliation and Financing Act of 2017 (Chapter 23) altered the mandate to allow the Governor to use either the operating budget, the capital budget, or a combination of both to meet the mandate.

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

Analysis prepared by: Jason A. Kramer

Teacher Induction, Retention, and Advancement Pilot Program

Provision in the Bill: Reduces from $5.0 million to $3.0 million the amount of funding the Governor must provide for the Teacher Induction, Retention, and Advancement Pilot Program for fiscal 2019 only.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0	($2.0)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $2.0 million in fiscal 2019. The fiscal 2019 budget includes a $2.0 million general fund reduction, contingent on legislation altering the mandate that funding be provided for the pilot program.

Local Effect: Local school system revenues decrease by $2.0 million in fiscal 2019 only for those systems participating in the pilot program. 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% by the State (up to $5.0 million annually) and 20% 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. Fiscal 2018 is the first year of the program. The budget included $2.1 million for the program. Approximately $1.0 million is required for the State share of costs under the program. The Governor's budget balancing plan assumes that the remaining $1.1 million reverts at the end of fiscal 2018.

Recent History: The Budget Reconciliation and Financing Act of 2017 (Chapter 23) reduced mandated funding for fiscal 2018 by $2.9 million.

Location of Provision in the Bill: Section 1 (p. 9)

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

Next Generation Scholars of Maryland Program

Provision in the Bill: Reduces from $5.0 million to $4.7 million the amount of funding the Governor must provide for the Next Generation Scholars of Maryland Program for fiscal 2019 only.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
	($ in dollars)					
GF Exp	$0	($300,000)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $300,000 in fiscal 2019. The fiscal 2019 budget includes a $300,000 general fund reduction, contingent on legislation altering the mandate that funding be provided for the program.

Local Effect: None. School systems are not eligible to receive grants. However, with reduced funding, fewer eligible students may be able to participate in the program in fiscal 2019.

Program Description/Recent History: Chapter 33 of 2016 reestablished the College Readiness Outreach Program as the Next Generation Scholars of Maryland Program. In addition to making significant changes to the program, from fiscal 2018 through 2023, Chapter 33 requires the Governor to include $5.0 million in general funds for the program to be administered in school systems in which at least 50% of the students are eligible to receive a free lunch under the National School Lunch Program in the 2015-2016 school year. Funding is to be distributed to qualified nonprofit organizations to provide guidance and services including mentorship, graduation guidance, and an intensive summer bridge program to specified students eligible for the Guaranteed Access scholarship for qualified low-income students to attend an institution of higher education. Fiscal 2018 is the first year of the program. Grants totaling $4.7 million were distributed to nonprofit organizations serving eligible students in Baltimore City and Allegany, Caroline, Dorchester, Kent, Prince George's, Somerset, and Wicomico counties.

Location of Provision in the Bill: Section 1 (pp. 15-16)

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

Maryland 529 Matching Contributions

Provision in the Bill: Reduces the minimum amount of funding the Governor must provide for State matching contributions to eligible 529 college savings accounts to $3.0 million annually beginning in fiscal 2019.

Agency: Maryland 529, Maryland Higher Education Commission (MHEC)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0	($4.0)	($7.0)	($7.0)	($7.0)	($7.0)

State Effect: General fund expenditures decrease by $4.0 million in fiscal 2019 and by $7.0 million annually thereafter. The fiscal 2019 budget includes a $4.0 million general fund reduction in the MHEC appropriation, contingent on the enactment of legislation reducing the mandate.

Local Effect: None.

Program Description/Recent History: As part of a multifaceted approach to address the affordability of higher education, the College Affordability Act of 2016 (Chapter 690) established an annual State matching contribution of $250, per beneficiary, for new accounts in the Maryland College Investment Plan, which is administered by Maryland 529, formerly the College Savings Plans of Maryland. The minimum personal contribution necessary to receive a State matching contribution varies with income, up to a maximum of $125,000/$175,000 for single/joint filers. The Governor must appropriate at least $7.0 million in fiscal 2019, and $10.0 million annually thereafter, for the State matching contributions. If funding provided in a fiscal year is not sufficient to fully fund all State contributions, Maryland 529 must prioritize certain recipients.

In calendar 2017, the first year of the program, Maryland 529 received 3,084 applications, out of which 1,815, or 59%, qualified. Matching contributions totaling $453,750 were subsequently made in fiscal 2018. The Governor was required to include $5.0 million in the fiscal 2018 budget for this purpose. The fiscal 2019 budget anticipates that the remaining $4.5 million will revert to the general fund at the end of the fiscal year.

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

Analysis prepared by: Stephen M. Ross

Seed Community Development Anchor Institution Fund

Provision in the Bill: Reduces the amount of funding that the Governor must provide for the Seed Community Development Anchor Institution Fund from $5.0 million to $4.0 million in fiscal 2019 only.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0	($1.0)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $1.0 million in fiscal 2019. The fiscal 2019 budget includes a $1.0 million general fund reduction, contingent on legislation altering the mandated appropriation for the fund. The $5.0 million mandate for the fund remains unchanged in fiscal 2020 through 2022, after which the mandate it set to expire. The 2018 *Capital Improvement Program* does not include any funding for the program in the out-years.

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 Budget Reconciliation and Financing Act of 2017 (Chapter 23) altered the mandate to allow the Governor to use either the operating budget, the capital budget, or a combination of both to meet the mandate. The purpose of the fund is to provide grants and loans to "anchor institutions" for community development projects in blighted areas of the State. The fiscal 2019 appropriation is restricted in the operating budget to be used for a project at the University of Maryland, Baltimore Campus.

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

Analysis prepared by: Jason A. Kramer

Anne Arundel County Teacher Stipends

Provision in the Bill: Repeals the mandate, in fiscal 2019, that the State match stipends for specified Anne Arundel County Public Schools (AACPS) classroom teachers.

Agency: Maryland State Department of Education

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0	($1.9)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $1.9 million in fiscal 2019. The fiscal 2019 budget includes a $1.9 million general fund reduction, contingent on legislation repealing the AACPS stipend. No funding remains for the AACPS stipend after the contingent reduction. Under current law, the AACPS stipend program ends in fiscal 2019; thus, there are no savings for the program beyond fiscal 2019.

Local Effect: If AACPS intended to grant specified teachers the maximum stipend amount, AACPS revenues and expenditures decrease by an estimated $1.9 million in fiscal 2019. However, the county did not provide funding for the stipends in fiscal 2018, and it has indicated it does not plan to fund them in fiscal 2019. Thus, there is no local impact.

Program Description/Recent History: Chapter 740 of 2016 established a matching State stipend of up to a maximum of $1,500 for specified AACPS classroom teachers in fiscal 2017 through 2019 only. No funds were provided for the AACPS stipend in fiscal 2017. The Governor's budget balancing plan assumes that $950,000 for AACPS stipends (the entire budgeted amount) are not spent in fiscal 2018 and revert to the general fund at the end of the fiscal year. The Budget Reconciliation and Financing Act of 2017 (Chapter 23) reduced the maximum State match for AACPS teacher stipends to $750 for fiscal 2018.

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

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

Cap on Nonwithholding Income Tax Revenues Limit

Provision in the Bill: Phases in the statutory cap on projected nonwithholding income tax revenues so that the maximum cap is 0.5% of projected general fund revenues in fiscal 2020, 1.0% in fiscal 2021, and 2.0% in fiscal 2022 and annually thereafter.

Agency: None

Type of Action: Mandate relief

Fiscal	($ in millions)					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Rev	$0	$0	$229.0	$106.0	$0	$0
SF Rev	$0	$0	($229.0)	($106.0)	$0	$0
GF Exp	$0	$0	-	-	$0	$0
SF Exp	$0	$0	$0	$0	(-)	(-)

State Effect: Increase in general fund revenues to support the budget in fiscal 2020 and 2021 due to the lower cap. A corresponding potential increase in general fund spending in fiscal 2020 and 2021. Revenues for the Rainy Day Fund and Fiscal Stabilization Fund decrease in fiscal 2020 and 2021. Special fund expenditures from the Fiscal Stabilization Fund may decrease in fiscal 2022 and 2023.

Local Effect: State aid for local governments may increase in fiscal 2020 and 2021 if additional general fund revenues are available.

Program Description: Chapters 4 and 550 of 2017 establish a cap on income tax nonwithholding revenues that are used in the revenue estimate based on the 10-year average of income tax nonwithholding revenues. If nonwithholding revenues are less than the 10-year average, there is no effect. In some years, actual income tax nonwithholding revenues will exceed the capped revenues that were budgeted. No more than 2.0% of projected general fund revenues are subject to the cap.

Beginning with fiscal 2020, if actual nonwithholding income tax revenues exceed the cap, the amount of those revenues that exceed the capped estimate must be applied as follows:

- the first priority is to close the revenue gap for that fiscal year so that funds must be used to close any budget deficit;

- if the available nonwithholding income tax revenues exceed the amount that is needed to close the gap (or there is no budget deficit), the Comptroller must distribute any remaining amount to the Rainy Day Fund;

- if the Rainy Day Fund balance is equal to or exceeds 6% of estimated general fund revenues, the Comptroller must distribute 50% of any remaining amount to the Rainy Day Fund and the other 50% into the Fiscal Responsibility Fund; and

- if the Rainy Day Fund balance exceeds 10% of estimated general fund revenues, any remainder must be distributed to the Fiscal Responsibility Fund.

By statute, fiscal 2020 is the first year that the cap will apply. Applying the cap would eliminate more than half of the projected revenue growth for fiscal 2020. The impact of the cap is especially acute in fiscal 2020 because it is the first time that the cap is applied. Nonwithholding revenues represent a similar share of the general fund revenues in both fiscal 2019 and 2020, but the cap does not go into effect until fiscal 2020. Phasing the cap in over a multi-year period will minimize the shock that results from going from an uncapped environment to a capped environment.

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

Analysis prepared by: Patrick S. Frank

State Prescription Drug Coverage for Medicare-eligible Retirees

Provisions in the Bill: Align elimination of State prescription drug coverage for Medicare-eligible retirees with the revised closure date for the Medicare Part D coverage gap (donut hole). Clarify that a non-Medicare-eligible spouse, surviving spouse, dependent child, or surviving dependent child of a Medicare-eligible retiree may remain enrolled in the State prescription drug plan. Require the Secretary of Budget and Management, by July 1, 2018, to provide written notice to individuals affected by the change in the State prescription drug plan, including information on the coverage options available in the Medicare prescription drug plan and the potential for significant penalties if an individual does not choose a Medicare prescription drug plan upon termination of the State prescription drug coverage.

Agency: Department of Budget and Management; Statewide Action

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0.1	($34.9)	$4.8	$5.1	$5.3	$5.6
SF Exp	$0	($7.7)	$1.1	$1.1	$1.2	$1.2
FF Exp	$0	($4.6)	$0.6	$0.7	$0.7	$0.7

State Effect: State health insurance expenditures decrease in fiscal 2019 by a net total of $47.3 million. Fiscal 2019 savings from accelerating the elimination of State-provided prescription drug coverage to Medicare-eligible retirees by six months are partially offset by the cost of extending coverage to non-Medicare eligible spouses, dependents, and surviving spouses and dependents of Medicare-eligible retirees. Under current statute, spouses and dependents are covered under the State prescription drug plan until July 1, 2019. Expenditures for spouses and dependents continue in the out-years and increase to reflect anticipated growth in health insurance costs. Administrative expenditures increase by $124,380 in fiscal 2018 only to accelerate the timeline and communicate with Medicare-eligible retirees by July 1, 2018. Language in the fiscal 2019 budget reduces funding by $47.3 million, contingent on enactment of legislation eliminating prescription drug coverage for Medicare-eligible retirees on January 1, 2019.

Recent History: The federal Patient Protection and Affordable Care Act included provisions to gradually reduce the Medicare Part D coverage gap until the gap is eliminated on January 1, 2020. Elimination of the coverage gap will reduce the amount of out-of-pocket prescription drug spending required of Medicare Part D enrollees with prescription drug expenses in excess of $3,750. Under the coverage gap, beneficiaries pay about 25% of drug costs until they reach $3,750 in total prescription drug costs and then pay as much as 44% of the costs until their total costs reach approximately $7,500 when they qualify for catastrophic coverage. The federal Bipartisan Budget Act of 2018 accelerated closure of the Medicare Part D coverage gap from January 1, 2020, to January 1, 2019.

Current statute eliminates prescription drug coverage to Medicare-eligible retirees in fiscal 2020, which starts July 1, 2019. The original intention of statute was to align elimination of State prescription drug coverage for Medicare-eligible retirees with the closing of the Medicare Part D donut hole.

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

Analysis prepared by: Laura M. Vykol

Tuition Stabilization Trust Fund Transfer

Provision in the Bill: Authorizes the transfer of $1,820,520 from the Tuition Stabilization Trust (TST) to the Need-based Student Financial Assistance Fund in the Maryland Higher Education Commission in fiscal 2018.

Agency: Maryland Higher Education Commission

Type of Action: Fund swap

Fiscal Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
	($ in millions)					
SF Rev	$1.8	$0	$0	$0	$0	$0
SF Exp	-	$1.8	$0	$0	$0	$0

State Effect: Assuming the transfer is made, special fund revenues increase by $1.8 million in fiscal 2018. Special fund expenditures increase by $1.8 million over fiscal 2018 and 2019. For purposes of this analysis, expenditures are reflected as occurring in fiscal 2019.

Program Description: TST was established by Chapters 192 and 193 of 2010 to increase the predictability of tuition increases at State institutions by accumulating a reserve of funds to offset significant tuition increases. Statute requires that TST maintain a balance of 1% to 5% of undergraduate tuition revenue. However, after eight years, TST does not contain adequate revenue to offset even a 1 percentage point tuition increase.

Location of Provision in the Bill: Section 4 (p. 37)

Analysis prepared by: Sara J. Baker

Maryland Trauma Physician Services Fund

Provisions in the Bill: Authorize, for fiscal 2019 only, $8.0 million from the Maryland Trauma Physician Services Fund to be used for Medicaid provider reimbursements.

Agency: Maryland Department of Health

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	$0	($8.0)	$0	$0	$0	$0
SF Exp	$0	$8.0	$0	$0	$0	$0

State Effect: Authorization to use the Maryland Trauma Physician Services Fund for Medicaid provider reimbursements in fiscal 2019 results in a general fund expenditure decrease of $8.0 million, while special fund expenditures increase by $8.0 million. The fiscal 2019 budget includes a general fund reduction of $8.0 million, contingent upon authorization to use the fund for Medicaid.

Local Effect: None.

Recent History: The Maryland Trauma Physician Services Fund was established in 2003 and covers the cost of medical care provided by trauma physicians at Maryland's designated trauma centers for uncompensated care; Medicaid-enrolled patients; trauma-related, on-call, and standby expenses; and trauma equipment grants. For Medicaid-enrolled patients, the fund covers half of the difference between the standard Medicaid rate and 100% of the Medicare rate (with federal funds covering the other half). The fund is supported by a $5 surcharge on motor vehicle registrations and renewals and is administered by the Maryland Health Care Commission. In the fiscal 2017 Maryland Trauma Physician Services Fund annual report, it was noted that the fund had a fiscal 2017 year-ending fund balance of $10.4 million, up from $7.9 million in fiscal 2016. In fiscal 2017, the fund received $12.6 million from the $5 surcharge and other recoveries and disbursed $10.1 million. The projected fiscal 2018 year-end fund balance was $11.7 million.

Location of Provisions in the Bill: Section 13 (pp. 38-39)

Analysis prepared by: Simon G. Powell

Program Open Space – Maryland Historical Trust

Provision in the Bill: Authorizes the distribution of up to $300,000 of Program Open Space (POS) funding provided to the Maryland Heritage Areas Authority (MHAA) Financing Fund to the Maryland Historical Trust (MHT) for noncapital historic preservation grants.

Agency: Maryland Department of Planning (MDP)

Type of Action: New or expanded uses of existing revenues

State Effect: None. Total funding provided to MDP is not affected. MDP advises that this provision enables it to address the significant demand for the Non-Capital Grant Program without compromising the effectiveness of the MHAA Grant Program. The fiscal 2019 budget restricts the use of $300,000 of MHAA's special fund appropriation for the Non-Capital Grant Program, contingent upon the enactment of legislation expanding the allowable uses of the MHAA Financing Fund.

This analysis assumes that MDP would have spent the $300,000 for the MHAA Grant Program in the absence of the bill. It also assumes that general funds would not have been provided for MHT's Non-Capital Grant Program in the absence of the bill.

Local Effect: None. Total funding to local governments is not affected.

Program Description: MHAA was established by Chapter 601 of 1996 to foster heritage tourism by providing technical and financial assistance to create additional historic and cultural destinations within the State. Maryland's 13 heritage areas are locally designated and State-certified regions where public and private partners make commitments to preserving historical, cultural, and natural resources for sustainable economic development through heritage tourism. MHAA plans to award $5.4 million in grants in fiscal 2019.

The MHT Grant Fund supports MHT's Historic Preservation Grant Program (also known as the MHT Grant Program) and its Historical and Cultural Museum Assistance Program. The purposes of the MHT Grant Program are to (1) implement and encourage the preservation of historic properties and (2) promote interest in and study of historic properties and their preservation. The Historical and Cultural Museum Assistance Program provides political subdivisions and nonprofit organizations with financial assistance for museums. MDP's fiscal 2018 legislative appropriation includes $200,000 in general funds for noncapital historic preservation grants; grant requests totaled $1.1 million.

Recent History: Chapter 513 of 2017 required the Governor to include in the annual State budget bill an appropriation of $1.5 million to the MHT Grant Fund for fiscal 2018 and each following fiscal year, subject to the limitations of the State budget. One purpose of the MHT Grant Fund is to fund the Non-Capital Grant Program.

Chapters 660 and 661 of 2017 increased, from $3.0 million to $6.0 million, the maximum amount of transfer tax funding distributed to POS which may be transferred to the MHAA Financing Fund.

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

Analysis prepared by: Andrew D. Gray

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

Provision in the Bill: Limits growth in the fiscal 2019 provider rates set by the Interagency Rates Committee (IRC) to no more than 3.0% over the rates in effect on June 30, 2018.

Agency: Department of Human Services (DHS); Department of Juvenile Services (DJS); Maryland Department of Health (MDH)

Type of Action: Cost control

State Effect: Limiting rates set by IRC to no more than 3.0% over the fiscal 2018 rates results in no direct savings in fiscal 2019. The fiscal 2019 budget provides funding for a 1.0% increase for providers whose rates are set by IRC. These funds include $1.4 million in DHS and $269,262 in DJS. Rates for fiscal 2019 have not yet been finalized but, under this provision, cannot increase by more than 3.0%.

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), MDH, DHS, or 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, MDH, DHS, 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. Budget reconciliation legislation in 2015 capped fiscal 2016 rates at the fiscal 2015 level. The Budget Reconciliation and Financing Act of 2017 (Chapter 23) limited rate increases to 2.0%.

Location of Provision in the Bill: Section 5 (p. 37)

Analysis prepared by: Tonya D. Zimmerman

Temporary Assistance for Needy Families Federal Funds

Provision in the Bill: Increases the cap on federal fund expenditures for Temporary Assistance for Needy Families (TANF) funds in fiscal 2018 to $256.3 million, the level of expected available funds.

Agency: Department of Human Services (DHS)

Type of Action: Fund swap

State Effect: The projected closing TANF balance in fiscal 2018 is $6.46 million. Increasing the cap on TANF spending in fiscal 2018 allows federal fund spending to increase up to the level of expected available funds. The availability of federal TANF funds may mitigate the need to spend general funds if the fiscal 2018 appropriation for DHS is inadequate.

Local Effect: None.

Program Description: Under federal law, TANF is authorized to be used for four statutory purposes: (1) providing assistance to needy families so that children can be cared for in their homes; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing and reducing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of two-parent families. TANF may also be used for items authorized under the prior federal law. A maximum of 30% of TANF is authorized to be transferred to a combination of the Social Services Block Grant and the Child Care Development Fund. In Maryland, DHS is the State administrator of TANF. Since fiscal 2012, the funds have been used solely within DHS for cash assistance, the work opportunities program, child welfare/foster care, information technology, and caseworkers and other administrative expenses.

Recent History: Language added to the fiscal 2018 budget bill capped the level of TANF spending in fiscal 2018 to $249.9 million, which was the level included in the budget as introduced. From fiscal 2011 through 2016, the TANF program operated with a deficit in Maryland. During the 2017 session, the TANF deficit was expected to continue through fiscal 2018. The cap was intended to limit any increase in the deficit. However, spending reductions in fiscal 2017 eliminated the TANF deficit and the TANF program ended with a small positive balance ($3.73 million). That balance is expected to grow to $6.46 million in fiscal 2018.

Location of Provision in the Bill: Section 6 (p. 37)

Analysis prepared by: Tonya D. Zimmerman

Temporary Disability Assistance Program Fiscal 2018 Withdrawal

Provision in the Bill: Reduces the fiscal 2018 general fund appropriation for the Temporary Disability Assistance Program (TDAP) by $1,423,240; the reduction is to be taken from the $2,000,000 that is restricted for a $10 per month per recipient benefit increase.

Agency: Department of Human Services

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	($1.4)	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund spending is reduced by $1.4 million from the $2.0 million that is restricted for the TDAP benefit increase. This action accounts for a lower caseload than was expected and the time that has passed during fiscal 2018 in which no benefit increase was provided (July through February). After this reduction, $576,760 in restricted funds remains to be used for a $10 per month per recipient increase for March through June 2018.

Local Effect: None.

Program Description: TDAP assists low-income, disabled adults through a period of short-term disability or while they are awaiting approval of federal disability support. TDAP provides cash benefits to eligible individuals based on their assessed needs and subject to available funding. Pursuant to State regulations, the allowable monthly amount is $185.

Recent History: Chapter 150 of 2017 (the fiscal 2018 budget bill) restricted $2.0 million for the purpose of increasing the TDAP benefit by $10 per month per recipient. This amount would have supported an increase in benefits for approximately 16,670 recipients for 12 months. While the Department of Human Services indicates that no final decision has been made, the increased benefit has not been provided through April 2018. In addition, the average monthly caseload in fiscal 2018 year-to-date is 14,419. The fiscal 2019 budget provides approximately $1.5 million to provide a $10 per month per recipient benefit increase effective July 1, 2018.

Location of Provision in the Bill: Section 7 (p. 37-38)

Analysis prepared by: Tonya D. Zimmerman

Developmental Disabilities Administration Fiscal 2018 Appropriations

Provisions in the Bill: Reduce the unexpended appropriations for two contracts in the fiscal 2018 appropriation for the Maryland Department of Health's Developmental Disabilities Administration (DDA) that will not be procured in fiscal 2018.

Agency: Maryland Department of Health

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Exp	($4.0)	$0	$0	$0	$0	$0
FF Rev	($3.0)	$0	$0	$0	$0	$0
FF Exp	($3.0)	$0	$0	$0	$0	$0

State Effect: DDA general fund expenditures decrease by $4,048,433 in fiscal 2018, while federal fund revenues and expenditures decrease by $2,992,320.

Local Effect: None.

Program Description/Recent History: The fiscal 2018 legislative appropriation budgeted approximately $3.2 million in general funds and $2.4 million in federal funds for execution of a contract to conduct utilization review audits and $0.8 million in general funds and $0.6 million in federal funds for execution of a financial management services contract for self-directed services. DDA is not procuring either of these contracts in fiscal 2018. These provisions eliminate funding for the contracts in fiscal 2018.

Location of Provisions in the Bill: Sections 8 and 9 (p. 38)

Analysis prepared by: Jared S. Sussman

Aid to Non-Public Schools Program

Provisions in the Bill: Reduce the unexpended special fund appropriation for the Aid to Non-Public Schools Program by $100,000 in fiscal 2018, so that any school found to be in violation of the nondiscrimination requirements in the Broadening Option and Opportunities for Students Today (BOOST) Program may not receive funding from the program in fiscal 2018.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Cost control

Fiscal Impact:	*($ in dollars)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
SF Exp	($100,000)	$0	$0	$0	$0	$0

State Effect: MSDE special fund expenditures decrease by $100,000 in fiscal 2018. Appropriations that otherwise would have been spent for the purchase of textbooks and technology are withdrawn and credited to the Cigarette Restitution Fund. This action will not affect any nonpublic schools that are compliant with BOOST.

Local Effect: None. Only nonpublic schools may receive textbooks and technology under the grant.

Program Description: Through the Aid to Non-Public Schools Program, eligible nonpublic schools may receive textbooks and technology purchased by MSDE. Included in the program's eligibility requirements is that participating nonpublic schools may not discriminate in employment under Title 20, Subtitle 6 of the State Government Article, or in student admissions on the basis of race, color, national origin, or sexual orientation. Nonpublic schools participating in BOOST, which provides scholarships to eligible students, must meet identical eligibility requirements.

Recent History: In fiscal 2018, the BOOST Advisory Board determined that nonpublic schools that were found to have policies violating nondiscrimination requirements would be ineligible for BOOST for the rest of the fiscal year. In contrast, MSDE indicated in its fiscal 2018 allocation of funds for the Aid to Non-Public Schools Program that schools that were found to have violating policies could regain eligibility to receive textbooks and technology provided that they submit updated compliant policies.

Location of Provisions in the Bill: Section 11 (p. 38)

Analysis prepared by: Kyle D. Siefering

Medicaid-specific Hospital Cost and Total Cost-of-care Savings

Provisions in the Bill: Require the Maryland Department of Health (MDH) and the Health Services Cost Review Commission (HSCRC) to develop Medicaid-specific hospital cost and total cost-of-care savings targets outside of the all-payer model contract. MDH and HSCRC must report to the Governor and the General Assembly (1) by December 15, 2018, on the Medicaid-specific targets and an implementation plan to achieve the targets and (2) by December 15, 2019, on the progress in meeting the targets developed.

Agency: Maryland Department of Health

Type of Action: Cost containment

State Effect: Indeterminate but potentially significant savings.

Local Effect: None.

Program Description/Recent History: The all-payer model contract requires the State to meet certain metrics throughout the five-year waiver demonstration period in order for the State to maintain the contract. Some of those metrics apply generally, for example, limiting per capita all-payer hospital revenue growth. Other metrics are Medicare-specific, for example, achieving a certain level of cumulative Medicare savings in hospital expenditures. While MDH and HSCRC indicate that the Center for Medicare and Medicaid Innovation does not want to include Medicaid-specific targets in the new contract, MDH and HSCRC may set Medicaid-specific targets outside of that contract so that the State and federal government could realize the same type of savings realized by Medicare under the contract to date.

Location of Provisions in the Bill: Section 20 (p. 41)

Analysis prepared by: Simon G. Powell

Commission on Innovation and Excellence in Education Fund

Provisions in the Bill: Establish the Commission on Innovation and Excellence in Education Fund and require the Comptroller to distribute $200.0 million in individual income tax revenue to the fund by June 30, 2019.

Agency: Maryland State Department of Education; Office of the Comptroller

Type of Action: Revenue diversion; administrative

Fiscal Impact:	*($ in millions)* **FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
GF Rev.	$0	($200.0)	$0	$0	$0	$0
SF Rev.	$0	$200.0	$0	$0	$0	$0
SF Exp.	$0	$0	-	-	-	-

State Effect: This action transfers $200.0 million in revenue from the increase in income tax revenue anticipated by the Board of Revenue Estimates for fiscal 2019 as a result of federal tax changes to a nonlapsing special fund. Therefore, general fund revenues decrease and special fund revenues increase accordingly. The new special fund may be used only to assist in providing adequate funding for early childhood education and primary and secondary education through revised funding formulas based on the final recommendations of the Commission on Innovation and Excellence in Education. Special fund expenditures increase in future years by an indeterminate amount, based on funding formulas to be determined by the commission and as provided in the State budget.

Local Effect: Local school system revenues and expenditures increase by up to $200.0 million in future fiscal years, as determined by funding formulas.

Recent History: Chapters 701 and 702 of 2016 established the commission to, among other charges, (1) review the findings of a consultant's study on adequacy of education funding and related studies and make recommendations on the funding formula; (2) review and make recommendations on expenditures of local education agencies; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten.

The commission has requested an additional year in order to fully respond to its charge. In a preliminary report completed in January 2018, the commission submitted its preliminary policy recommendations (59 in total). It also stated its intention to work during the 2018 interim to develop greater specificity for each recommendation in order to "cost out" their fiscal impact, thereby allowing the commission to make recommendations for adequate funding in its final 2018 report.

The consultant study that the commission was directed to review resulted from the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which established State education aid formulas for public schools based on the concept of adequacy (the level of resources that are necessary for all public school students to have the opportunity to achieve academic proficiency standards), and required the State to contract with a consultant to conduct a follow-up study of the adequacy of education funding in the State. The consultant, Augenblick, Palaich, and Associates (APA), was hired and began work in June 2014. APA submitted its final report to the Governor and General Assembly on November 30, 2016. APA recommended that Maryland keep its basic formula structure but that increased spending would be necessary to provide adequate funding. APA found that a total increase of $2.9 billion over fiscal 2015 spending is needed, with $1.9 billion from the State and $1.0 billion from counties (including Baltimore City). This amount does not include State teacher retirement costs.

Location of Provisions in the Bill: Section 1 (pp. 7-9, 27, 30-31)

Analysis prepared by: Kyle D. Siefering

Judicial Compensation Commission Recommendation Budget Clarification

Provision in the Bill: Clarifies that the Judiciary may include in its budget request the necessary funds to implement the recommendations of the Judicial Compensation Commission (JCC).

Agency: Judiciary

Type of Action: Administrative

Program Description: JCC, established in 1980, is required to review judicial salaries and make recommendations to the Governor and the General Assembly once every four years. The Courts and Judicial Proceedings Article, § 1-704, states in part that: "Any increase in judicial salary shall be included in the portion of the budget bill relating to the executive department, and not the portion relating to the judiciary department." This provision is not consistent with the current practice, by which the Judiciary, to the extent JCC has recommended salary increases, calculates the total impact of the JCC recommendation and requests the necessary funds as part of its own budget request.

Location of Provisions in the Bill: Section 1 (p. 7)

Analysis prepared by: Benjamin D. Wilhelm

Formula for Core Public Health Services

Provisions in the Bill: Specify the amount that is included in the formula for Core Public Health Services (CPHS) funding to local health departments (LHDs) and clarify the fiscal year date and data sources used in the formula calculation.

Agency: Maryland Department of Health

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description/Recent History: Section 2-302 of the Health-General Article mandates funding for CPHS to LHDs. The appropriation is mandated to grow based on population growth and inflation. However, ambiguity in the statute allows for more than one interpretation of how to calculate the formula.

LHDs receive funding from the State that is not included in the mandated appropriation and, based on the wording of Section 2-302, the amount of base funding to be inflated in the statute is subject to interpretation. This provision clarifies the relevant portion of the statute to only increase funding that was mandated through the formula in the previous year. This reflects current practice since the formula was established, but the previous wording of Section 2-302 implies that all funding to LHDs can roll into the base for the formula calculation.

Administrations in previous years have used different fiscal year dates when interpreting population growth and inflation despite the language being identical in both relevant subsections. These provisions clarify the sources of data and the inflationary factors to be applied based on a specific date rather than the current interpretation that allows for the administration to pick a date within the fiscal year.

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

Analysis prepared by: Jared S. Sussman

Maryland Clean Air Fund Balance

Provision in the Bill: Authorizes the Maryland Department of the Environment (MDE) to retain a fund balance in the Maryland Clean Air Fund of up to $6.0 million in fiscal 2018 and 2019 only.

Agency: Maryland Department of the Environment

Type of Action: Administrative

State Effect: Current law caps the fund balance MDE may retain at $2.0 million and requires that any excess fund balance revert to the general fund. General fund revenues may decrease by an indeterminate amount in fiscal 2018 and 2019 to the extent that MDE retains a balance in excess of $2.0 million. General fund expenditures may decrease in fiscal 2019 and 2020 due to the availability of special funds from the Maryland Clean Air Fund to support costs that would otherwise be funded with State general funds. Special fund expenditures may increase in fiscal 2019 and 2020 due to the availability of fund balance.

MDE advises that this provision allows the department to retain and use penalty revenues that are anticipated from the State Volkswagen settlement. This temporary increase in the fund balance cap ensures that MDE has sufficient time to finalize procurement contracts without settlement funding reverting to the general fund.

Local Effect: None.

Program Description: The Maryland Clean Air Fund must be used to conduct activities related to identifying, monitoring, and regulating air pollution in the State and to provide grants to local governments to supplement funding for programs that are consistent with ambient air quality control.

Location of Provision in the Bill: Section 12 (p. 38)

Analysis prepared by: Kathleen P. Kennedy

Strategic Demolition and Smart Growth Impact Fund

Provision in the Bill: Clarifies that both interior and exterior demolition can be done using funds from the Strategic Demolition and Smart Growth Impact Fund (SDSGI).

Agency: Department of Housing and Community Development

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description: SDSGI provides funds for grants and loans to government agencies and community development organizations for the demolition, land assembly, architecture and engineering, and site development in designated "Sustainable Communities."

Recent History: SDSGI was established in statute by Chapter 30 of 2016, which also included mandated funding amounts for fiscal 2018 and 2019.

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

Analysis prepared by: Jason A. Kramer

Clarification of Funding Source for the Maryland Heritage Areas Authority Financing Fund

Provisions in the Bill: Clarify that up to $6.0 million may be transferred from Program Open Space (POS) funding to the Maryland Heritage Areas Authority (MHAA) Financing Fund, with the first $3.0 million coming from the total amount allocated to POS, and up to an additional $3.0 million coming from the State's share of POS funding dedicated to land acquisition.

Agency: Department of Natural Resources

Type of Action: Administrative

State and Local Effect: To the extent that funding in excess of $3.0 million is transferred to MHAA, the amount transferred is taken entirely from State land acquisition. The Maryland Park Service, Forest Service and POS – Local share are held harmless.

Recent History: Chapters 660 and 661 of 2017 authorized up to an additional $3.0 million (thereby allowing for up to $6.0 million total) annually to be provided to the fund. The fiscal 2019 allowance provided the full $6.0 million. Chapters 660 and 661 required that the amount exceeding $3.0 million be provided from the State's share of funds, which was interpreted as being the State component of POS but with a lack of clarity about whether to include funding allocated to the Maryland Park Service and Forest Service. The Administration interpreted the State's share to include the entirety of the funding allocated to POS, including the POS – State share, the Maryland Park Service and Forest Service, and the POS – Local share.

The Administration submitted Supplemental Budget No. 3, which included a provision that modified the transfer tax formula allocation in order to hold both the Maryland Park Service and Forest Service and the POS – Local share funding harmless from the additional $3.0 million allocated to the fund. As a result, there was a decrease of $1.9 million for the POS – State share, offset by increases of $0.6 million for the Maryland Park Service and Forest Service, $0.9 million for the POS – Local component, and $0.4 million for the Natural Resources Development Fund. This provision codifies the Supplemental Budget No. 3 modification submitted by the Administration.

Location of Provisions in the Bill: Section 1 (pp. 20-23)

Analysis prepared by: Andrew D. Gray

Interagency Agreements

Provisions in the Bill: Clarify the definition of "interagency agreements" that the Department of Budget and Management (DBM) must review every three years to include agreements in place for at least a portion of the preceding fiscal year with a duration of three or more years and a total value of more than $750,000. Repeal an obsolete reporting requirement.

Agency: Department of Budget and Management

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Recent History: The Budget Reconciliation and Financing Act of 2017 (Chapter 23) established 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 focus of the new review process was to determine whether an interagency agreement is necessary and should continue, whether services can be provided more cost effectively by the agency or unit through a competitive procurement, and whether the agreement is being utilized due to the inability to recruit or retain positions. In the process of fulfilling the new reporting and review requirements, DBM encountered issues with gathering accurate and consistent data. In addition, because of a lack of expenditure history for these agreements, DBM was required to make some judgment calls when selecting which agreements to include in the statutorily required review.

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

Analysis prepared by: Rebecca J. Ruff

Premium Tax Revenue Estimates

Provisions in the Bill: Require the Bureau of Revenue Estimates (BRE) to include in its existing revenue reports to the Board of Revenue Estimates a statement of estimated revenues from premium taxes collected by the Maryland Insurance Administration (MIA). So that BRE may prepare the statement, MIA must submit to BRE (1) quarterly premium tax data on a cash basis and by fund source; (2) a fiscal year-end close-out report reconciling the quarterly data; (3) an annual report by insurer; and (4) any other data requested by BRE.

Agency: Bureau of Revenue Estimates; Maryland Insurance Administration

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description: Under current law, BRE must, at the end of the fiscal year, submit a report to the Board of Revenue Estimates that includes an itemized statement of State revenues from all sources for that fiscal year, and a report in December, March, and September of each year for the fiscal year following the fiscal year in which the report is made. In addition to any information requested by the Board of Revenue Estimates, the reports must contain a statement of (1) revenues or estimated revenues distributed to the Transportation Trust Fund; (2) revenues from the State transfer tax; and (3) estimated revenues from nonwithholding income taxes. The bill adds a requirement that the reports must also include a statement of estimated revenues from premium taxes collected by MIA and details the information that should be submitted to BRE by MIA.

Location of Provisions in the Bill: Section 1 (p. 24-26)

Analysis prepared by: Simon G. Powell

Transfers from Catastrophic Event Account and Dedicated Purpose Account

Provisions in the Bill: Repeal the requirement that the Legislative Policy Committee (LPC) approve appropriations from the Dedicated Purpose Account and instead require a 45-day review and comment period by LPC. Repeal the requirement that LPC approve budget amendments transferring funds out of the Catastrophic Event Account and instead require a 15-day review and comment period by LPC.

Agency: None

Type of Action: Administrative

State Effect: None.

Local Effect: None.

Program Description/Recent History: In a letter dated January 8, 2018, the Governor notified the President of the Senate and the Speaker of the House that Budget Amendment 034-18 transfers $2.5 million from the Catastrophic Event Account to the Department of General Services to support the cost of repairs to heating, ventilation, and air conditioning systems in Baltimore City schools. The Administration did not provide the legislature an opportunity to review and comment prior to processing the amendment.

Statute specifies that, after *notice to and approval by* LPC, the Governor may transfer funds by budget amendment from the Catastrophic Event Account. The Governor may also transfer funds by budget amendment from the Dedicated Purpose Account only after the proposed budget amendment has been *approved by* LPC. According to advice from the Office of the Attorney General (OAG), approval by LPC is a legislative veto, which is unconstitutional. This process does not provide any opportunity for the General Assembly to review and comment about fund transfers out of the Catastrophic Event Account. OAG advises that State law can be amended so that the General Assembly has an opportunity to review and comment prior to transfers from these accounts.

Location of Provisions in the Bill: Section 1 (pp. 27 and 29)

Analysis prepared by: Patrick S. Frank

Local Reserve Account Repayment

Provision in the Bill: Extends the $10.0 million annual repayment to the Local Income Tax Reserve Account beyond fiscal 2025.

Agency: None

Type of Action: Administrative

State Effect: Beginning in fiscal 2026, general fund revenues are reduced by $10.0 million annually. Expenditures are not affected.

Local Effect: None.

Program Description/Recent History: In fiscal 2015, $100.0 million was transferred from the Local Income Tax Reserve Account to the general fund. The Budget Reconciliation and Financing Act of 2015 (Chapter 489) required that $10.0 million be reimbursed each year, beginning in fiscal 2016, with a final payment in fiscal 2025. The reimbursement is not appropriated; instead, the portion of personal income tax net receipts deposited into the reserve account will be increased to provide an additional $10.0 million annually. As of fiscal 2018, the unfunded liability of the Local Reserve Account is $716.8 million.

Location of Provision in the Bill: Section 1 (p. 31)

Analysis prepared by: Patrick S. Frank

Maryland Department of Transportation Operating Expense Forecast

Provision in the Bill: Requires the Maryland Department of Transportation (MDOT), in the developing years three through six of the Transportation Trust Fund (TTF) forecast, to use the five-year average annual rate of change in actual departmental operating expenses ending with the most recently completed fiscal year (excluding availability payments made to public-private partnership concessionaires) in developing departmental operating expense estimates, provided that the rate for these years cannot vary by more than 0.5 percentage points from the rate used in the prior forecast.

Agency: Maryland Department of Transportation

Type of Action: Administrative

State Effect: The provision may increase the amount of operating spending programmed for years three through six of the forecast and reduce the funding programmed for capital projects in the TTF forecast.

Background/Recent History: In the fiscal 2018 to 2023 TTF forecast, the average annual increase in operating expenses is 2.4%. The actual five-year average annual increase has fallen below that level only twice in 20 years, and those instances included operating spending during the Great Recession. For the past two years, committee narrative in the *Joint Chairmen's Report* has directed MDOT to use the five-year average annual rate of increase for years three through six of the forecast, but the department has not done so. Underestimating operating expenses in the forecast results in higher projected capital spending than will likely occur.

Location of Provision in the Bill: Section 1 (p. 33-35)

Analysis prepared by: Steven D. McCulloch

Speed Camera Revenue Distribution to State Police

Provision in the Bill: Repeals the requirement that certain speed camera revenues distributed to the Department of State Police (DSP) be used to fund roadside enforcement activities and instead requires ongoing funding for motor vehicle purchases.

Agency: Department of State Police

Type of Action: Administrative

State Effect: None. Protected speed camera revenues are less than DSP's annual spending on motor vehicles.

Local Effect: None.

Program Description: Section 12-118 of the Transportation Article dictates that disbursement of speed camera revenues be first applied to DSP and State Highway Administration operating costs. In fiscal 2016, 2017, and 2018, $7.0 million in revenues must be used to purchase replacement vehicles for the department's patrol fleet. The balance of the money in the special fund must then be distributed to DSP to fund roadside enforcement activities. The provision requiring speed camera revenues in excess of operating expenses be used to fund vehicle replacement purchases expired in fiscal 2018.

Revenues from speed cameras have declined by more than $8.8 million, or 54%, since fiscal 2013. According to revenue and expenditure data provided by the State Highway Administration, fiscal 2017 citation revenues totaled $7.6 million. With this decrease, DSP has never received the $7.0 million in special funds as required by statute. In fiscal 2016, $2.0 million was distributed to DSP, and an additional $3.0 million was provided in fiscal 2017.

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

Analysis prepared by: Rebecca J. Ruff

Use of Department of Aging Unexpended Fiscal 2018 Funds

Provision in the Bill: Allows any unexpended fiscal 2018 funds provided to local area agencies on aging (AAAs) to be encumbered and expended in fiscal 2019.

Agency: Maryland Department of Aging

Type of Action: Administrative

State Effect: An indeterminate amount of unexpended general funds that would otherwise be reverted at the close of fiscal 2018 will be encumbered and spend in fiscal 2019 instead.

Local Effect: None.

Program Description: The Maryland Department of Aging awards grants to AAAs. The grants support multiple programs that provide services to older Maryland residents.

Recent History: The Maryland Department of Aging has advised that a portion of the fiscal 2018 allocation to AAAs was not announced until seven months after the start of the fiscal year. AAAs did not plan for the additional allocation and would not be able to expend the funds before the end of the fiscal year. This provision allows any unexpended funds to be encumbered and spent in the subsequent fiscal year.

Location of Provision in the Bill: Section 10 (p. 38)

Analysis prepared by: Jared S. Sussman

School Safety Funding Encumbrances

Provision in the Bill: Allows certain unexpended fiscal 2019 funding for school safety to be encumbered and spent in fiscal 2020.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Administrative

State Effect: Indeterminate. To the extent local school systems do not request all of the available grant funds prior to the close of fiscal 2019, general fund expenditures increase as funds that would otherwise have been unspent are encumbered and expended in fiscal 2020. This provision applies to $19.0 million of operating budget appropriations for school safety.

Local Effect: Indeterminate. Local jurisdictions have an additional year to request grant awards for school safety enhancements. To the extent local school systems would not have requested all of the available grant funds prior to the close of fiscal 2019, local expenditures increase.

Program Description: Fiscal 2019 operating and capital appropriations for school safety improvements total $40.6 million. Funds are provided for operating grants to public school systems to implement safety improvements ($10.0 million), grants to local school systems for safety evaluations ($2.5 million), capital improvements to public ($20.0 million) and nonpublic schools ($3.5 million), and for a variety of other school safety-related purposes. This provision applies to $10.0 million of pay-as-you-go capital funding budgeted in the Board of Public Works and $9.0 million for operating grants to local school systems budgeted in MSDE (Innovative Programs). Although it is anticipated that school systems will complete the mandated safety assessments during fiscal 2019, funding requests to address operating or capital deficiencies may not be known in time to distribute the entire appropriation by the end of the fiscal year. The provision allows for an additional year to make grant awards.

Location of Provision in the Bill: Section 18 (p. 40)

Analysis prepared by: Rebecca J. Ruff

Encumbrance of Funds for Election-related Purposes

Provision in the Bill: Authorizes the State Board of Elections (SBE) to encumber up to $650,000 of the unexpended fiscal 2018 appropriation for major information technology (IT) development projects for election-related activities in fiscal 2019.

Agency: State Board of Elections

Type of Action: Administrative

State Effect: None. Funds are already budgeted in fiscal 2018 and will be encumbered in fiscal 2018.

Local Effect: None.

Program Description: SBE, along with the local boards of elections, is responsible for operating elections in the State. Responsibilities include operating polling places during voting, maintenance of the equipment required for elections, and managing voter registration in the State.

Recent History: The Budget Reconciliation and Financing Act of 2017 (Chapter 23) included a similar provision allowing SBE to use funds appropriated for IT project development to operate and maintain the existing Agency Election Management System.

Location of Provision in the Bill: Section 14 (p. 39)

Analysis prepared by: Benjamin B. Wilhelm

Special Fund for Preservation of Cultural Arts

Provisions in the Bill: Allocate a portion of admissions and amusement (A&A) tax revenues accruing to the Special Fund for Preservation of Cultural Arts (POCA) to an annual grant of $250,000 for the Maryland Historical Society beginning in fiscal 2020. Authorize the Governor to appropriate by budget amendment in fiscal 2019, up to $450,000 of the unappropriated revenue deposited in POCA in fiscal 2018 for the Maryland Academy of Sciences. Restrict up to $650,000 in fund balance and anticipated revenues that are not included in the fiscal 2018 or 2019 budget for a one-time supplemental grant to the Baltimore Symphony Orchestra. Authorize the transfer of $650,000 in funds from A&A revenue to be used for the following grants in fiscal 2019:

- $200,000 to the Voxell LLC for the BARCO Playhouse Theater project;
- $100,000 to PACT: Helping Children with Special Needs;
- $100,000 to the Board of Directors of the Habitat for Humanity of the Chesapeake;
- $75,000 to the Board of Trustees of the Chesapeake Shakespeare Company;
- $75,000 to Community Services for Autistic Adults and Children;
- $50,000 to the Board of Directors of the Maryland Theatre Association, Inc.; and
- $50,000 to Delmarva Community Services.

Agency: Department of Commerce

Type of Action: Administrative

Fiscal	*($ in millions)*					
Impact:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
SF Exp	$0	$1.1	$0	$0	$0	$0

State Effect: Special fund expenditures increase by $1.1 million in fiscal 2019 only to provide a grant to the Baltimore Symphony Orchestra and the Maryland Academy of Sciences using fund balance. The remaining provisions have no net effect on special fund expenditures. 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. All of the proposed funding (except for the annual $250,000 grant to the Maryland Historical Society beginning in fiscal 2020) is contingent upon the Governor releasing the funds for the specified purposes.

Local Effect: None, although local arts and other organizations benefit.

Program Description: POCA 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 the Maryland State Arts Council.

Recent History: The Budget Reconciliation and Financing Act of 2017 (Chapter 23) authorized the use of POCA funds for one-time grants to specified organizations in fiscal 2018 and an ongoing grant to an organization beginning in fiscal 2019.

Location of Provisions in the Bill: Sections 1 (p. 30), 15 (p. 39), 16 (p. 39), and 17 (p. 39-40)

Analysis prepared by: Jason A. Kramer

AltaGas Ltd. and WGL Holdings, Inc. Merger

Provision in the Bill: Requires any funds received by the State as a result of conditions of an approved merger between AltaGas Ltd. and WGL Holdings, Inc. (WGL) be expended only as specifically authorized through the State budget bill or other legislation as enacted and not be subject to transfer by budget amendment.

Agency: Maryland Energy Administration (MEA); Public Service Commission (PSC)

Type of Action: Administrative

State Effect: The provision does not impact overall State agency spending that would occur as a result of the conditions placed on the merger approval but requires these funds to be expended through the State budget.

Local Effect: This provision does not impact funds provided through conditions of approval of the merger to entities other than State agencies.

Program Description/Recent History: In May 2017, AltaGas Ltd. and WGL filed an application for approval of a merger with PSC. In April 2018, PSC approved the merger with a number of conditions. The conditions include contributing $30.32 million within four months of the merger closing to create a Maryland Gas Expansion Fund to be administered by MEA. The fund is to be used to promote the expansion of natural gas infrastructure, more than half of which must be spent in the Washington Gas service territory and at least $4.6 million of which must be used in the combination of Calvert, Charles, Frederick, and St. Mary's counties. On April 5, 2018, the companies notified PSC of acceptance of the conditions. The merger review is still ongoing by the District of Columbia PSC, and the closing date of the merger is unknown.

Similar provisions were included in the Budget Reconciliation and Financing Act (BRFA) of 2015 related to funds provided as a result of the Exelon Corporation and Pepco Holdings, Inc. merger and the BRFA of 2012 related to funds provided as a result of the Exelon Corporation and Constellation Energy Group merger.

Location of Provision in the Bill: Section 19 (p. 41)

Analysis prepared by: Tonya D. Zimmerman

Consumer Price Index

Provisions in the Bill: Require, for fiscal 2020 only, the Department of Legislative Services (DLS), the Department of Budget and Management, and the Maryland State Department of Education to jointly determine the appropriate regional Consumer Price Index (CPI) to be used in place of the Washington-Baltimore metropolitan area CPI to calculate the State Foundation and student transportation formulas. The Commission on Innovation and Excellence in Education must recommend, in its final report by December 31, 2018, the appropriate inflationary indices to be used in State education aid formulas. Outside of the State Foundation, student transportation, and other State education aid formulas, require DLS to identify statutory provisions referencing the Washington-Baltimore metropolitan area CPI and make recommendations as to the appropriate regional CPI to be used in its place.

Agencies: Department of Legislative Services; Department of Budget and Management; Maryland State Department of Education

Type of Action: Administrative

State Effect: Indeterminate.

Local Effect: Indeterminate.

Program Description: Under current law, the State Foundation, student transportation, and other formulas reference the CPI for the Washington-Baltimore metropolitan area as developed by the U.S. Bureau of Labor Statistics (BLS). Effective January 2018, BLS introduced a new geographic area sample for the CPI consisting of a mix of 75 large, medium, and small urban areas. The combined Washington-Baltimore metropolitan area CPI will no longer be reported and instead will be reported separately as the Washington-Arlington-Alexandria DC-VA-MD-WV (Washington Core Based Statistical Area (CBSA)) and Baltimore-Columbia-Towson MD (Baltimore CBSA) regions. Data will continue to be reported every other month, but the Washington CBSA data will be reported in odd months and the Baltimore CBSA data in even months.

Location of Provisions in the Bill: Sections 21 and 22 (pp. 41-42)

Analysis prepared by: Simon G. Powell

Legislative Intent Regarding Electronic Instant Bingo Machines

Provision in the Bill: Establishes the intent of the General Assembly that an entity licensed in accordance with Chapter 603 of 2012 to operate an instant bingo machine using electronic machines be authorized to operate any electronic machine approved by the State Lottery and Gaming Control Commission (SLGCC) for use by any other entity authorized under those provisions of law to operate instant bingo using electronic machines.

Agency: State Lottery and Gaming Control Commission

Type of Action: Administrative

State Effect: Establishing the intent of the General Assembly to allow specified entities to use certain instant bingo machines does not materially affect State finances. SLGCC advises that this provision will enable an entity to replace pre-printed ticket machines with print-on-the-fly electronic instant bingo machines.

Local Effect: None.

Program Description: An entity licensed to offer instant bingo under a commercial bingo license on July 1, 2007, or a qualified nonprofit organization, may continue to operate a game of instant bingo in the same manner using electronic machines, provided that:

- the machines were in operation for a one-year period ending December 31, 2007, or under a commercial bingo license on December 31, 2007;
- the entity does not operate more than the number of machines in operation on February 28, 2008; and
- the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article.

Location of Provision in the Bill: Section 23 (p. 42)

Analysis prepared by: Heather N. Ruby

Appendix B
($ in Dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GENERAL FUND REVENUES						
Cap on Nonwithholding Income Tax Revenues Limit	0	0	229,000,000	106,000,000	0	0
Commission on Innovation and Excellence in Education Fund	0	(200,000,000)	0	0	0	0
USM Fund Balance Transfer	9,000,000	0	0	0	0	0
TOTAL GENERAL FUND REVENUES	**9,000,000**	**(200,000,000)**	**229,000,000**	**106,000,000**	**0**	**0**
GENERAL FUND EXPENDITURES						
Mandate Relief						
Revenue Stabilization Account (Rainy Day Fund)	0	(148,519,000)	0	0	0	0
Supplemental Pension Contribution (Sweeper)	0	(50,000,000)	0	3,360,000	3,440,000	3,610,000
Program Open Space – Repayment	0	(15,000,000)	(2,500,000)	(2,500,000)	12,500,000	0
Medicaid Deficit Assessment	0	(5,000,000)	0	0	0	0
Baltimore Regional Neighborhood Initiative Program	0	(4,000,000)	0	0	0	0
Maryland 529 Matching Contributions	0	(4,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)
Teacher Induction, Retention, and Advancement Pilot Program	0	(2,000,000)	0	0	0	0
Anne Arundel County Teacher Stipends	0	(1,900,000)	0	0	0	0
SEED Community Development Anchor Institution Fund	0	(1,000,000)	0	0	0	0
Next Generation Scholars of Maryland Program	0	(300,000)	0	0	0	0
Cap on Nonwithholding Income Tax Revenues Limit	0	0	-	-	0	0
Subtotal – Mandate Relief	***0***	***(231,719,000)***	***(9,500,000)***	***(6,140,000)***	***8,940,000***	***(3,390,000)***
Fund Swaps, Cost Shifts, and Cost Control						
State Prescription Drug Coverage for Medicare-eligible Retirees	124,380	(34,929,168)	4,795,542	5,107,233	5,285,986	5,550,286
Use of Maryland Trauma Physician Service Fund	0	(8,000,000)	0	0	0	0
Developmental Disabilities Administration Fiscal 2018 Appropriation	(4,048,433)	0	0	0	0	0
Temporary Disability Assistance Program Fiscal 2018 Withdrawal	(1,423,240)	0	0	0	0	0
Next Generation Farmland Acquisition	0	0	2,500,000	2,500,000	2,500,000	0
Subtotal – Fund Swaps and Cost Shifts	***(5,347,293)***	***(42,929,168)***	***7,295,542***	***7,607,233***	***7,785,986***	***5,550,286***
TOTAL GENERAL FUND EXPENDITURES	**(5,347,293)**	**(274,648,168)**	**(2,204,458)**	**1,467,233**	**16,725,986**	**2,160,286**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SPECIAL FUND REVENUES						
Cap on Nonwithholding Income Tax Revenues Limit	0	0	(229,000,000)	(106,000,000)	0	0
Commission on Innovation & Excellence in Education Fund	0	200,000,000	0	0	0	0
Supplemental Pension Contribution (Sweeper)	0	(50,000,000)	0	4,000,000	4,100,000	4,290,000
Program Open Space – Repayment	0	(15,000,000)	(2,500,000)	(2,500,000)	12,500,000	0
Medicaid Deficit Assessment	0	5,000,000	0	0	0	0
Tuition Stabilization Trust Fund Transfer	1,800,000	0	0	0	0	0
TOTAL SPECIAL FUND REVENUES	**1,800,000**	**140,000,000**	**(231,500,000)**	**(104,500,000)**	**16,600,000**	**4,290,000**
SPECIAL FUND EXPENDITURES						
Program Open Space – Repayment	0	(15,000,000)	(2,500,000)	(2,500,000)	12,500,000	0
State Prescription Drug Coverage for Medicare-eligible Retirees	0	(7,728,851)	1,059,174	1,128,020	1,167,501	1,225,876
Maryland Trauma Physician Services Fund	0	8,000,000	0	0	0	0
Medicaid Deficit Assessment	0	5,000,000	0	0	0	0
Tuition Stabilization Trust Fund Transfer	-	1,800,000	0	0	0	0
Special Fund for Preservation of Cultural Arts	0	1,100,000	0	0	0	0
Supplemental Pension Contribution (Sweeper)	0	0	0	320,000	330,000	340,000
Aid to Non-Public Schools Program	(100,000)	0	0	0	0	0
Commission on Innovation & Excellence in Education Fund	0	0	-	-	-	-
Cap on Nonwithholding Income Tax Revenues Limit	0	0	0	0	(-)	(-)
TOTAL SPECIAL FUND EXPENDITURES	**(100,000)**	**(6,828,851)**	**(1,440,826)**	**(1,051,980)**	**13,997,501**	**1,565,876**
FEDERAL FUND REVENUES						
Developmental Disabilities Administration Fiscal 2018 Appropriation	(2,992,320)	0	0	0	0	0
TOTAL FEDERAL FUND REVENUES	**(2,992,320)**	**0**	**0**	**0**	**0**	**0**
FEDERAL FUND EXPENDITURES						
State Prescription Drug Coverage for Medicare-eligible Retirees	0	(4,641,981)	636,804	678,196	701,933	737,030
Developmental Disabilities Administration Fiscal 2018 Appropriation	(2,992,320)	0	0	0	0	0
Supplemental Pension Contribution (Sweeper)	0	0	0	320,000	330,000	340,000
TOTAL FEDERAL FUND EXPENDITURES	**(2,992,320)**	**(4,641,981)**	**636,804**	**998,196**	**1,031,933**	**1,077,030**

Source: Department of Legislative Services

Appendix C
Impact on Local Jurisdictions of Selected Provisions of SB 187 of 2018
Fiscal 2019
($ in Dollars)

County	Public Schools*	Program Open Space	Total Impact
Allegany	$0	($37,689)	($37,689)
Anne Arundel	(1,900,000)	(409,551)	(2,309,551)
Baltimore City	0	(271,503)	(271,503)
Baltimore	0	(460,957)	(460,957)
Calvert	0	(40,963)	(40,963)
Caroline	0	(17,743)	(17,743)
Carroll	0	(91,589)	(91,589)
Cecil	0	(46,966)	(46,966)
Charles	0	(83,615)	(83,615)
Dorchester	0	(15,314)	(15,314)
Frederick	0	(97,454)	(97,454)
Garrett	0	(18,943)	(18,943)
Harford	0	(135,755)	(135,755)
Howard	0	(242,835)	(242,835)
Kent	0	(11,422)	(11,422)
Montgomery	0	(615,145)	(615,145)
Prince George’s	0	(521,257)	(521,257)
Queen Anne’s	0	(24,766)	(24,766)
St. Mary’s	0	(46,034)	(46,034)
Somerset	0	(10,929)	(10,929)
Talbot	0	(26,037)	(26,037)
Washington	0	(71,640)	(71,640)
Wicomico	0	(47,803)	(47,803)
Worcester	0	(35,843)	(35,843)
Unallocated	(2,300,000)		(2,300,000)
Total	**($4,200,000)**	**($3,381,753)**	**($7,581,753)**

*Includes reductions for Teacher Induction and Retention Program ($2.0 million), Anne Arundel County Teacher Stipends ($1.9 million), and Next Generation Scholars of Maryland Program ($300,000).

Note: Numbers may sum to a total greater than the required reduction or cost share due to rounding of jurisdictions’ shares.

Source: Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Budget Reconciliation and Financing Act of 2018**

BILL NUMBER: SB0187/HB0161

PREPARED BY: Governor's Legislative Office

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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

OR

____ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS