# SB 192

# Department of Legislative Services
Maryland General Assembly
2020 Session

## FISCAL AND POLICY NOTE
**Enrolled - Revised**

Senate Bill 192 (The President)(By Request - Administration)
Budget and Taxation Appropriations

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**Budget Reconciliation and Financing Act of 2020**

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This Administration bill executes actions to increase revenues, provide mandate relief, contain costs, and reduce future year general fund expenditures. **The bill generally takes effect June 1, 2020.**

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## Fiscal Summary

**State Effect:** General fund revenues increase by $302.9 million in FY 2021. General fund expenditures decrease by $6.4 million in FY 2020 and by $439.7 million in FY 2021. Special fund revenues increase by $99.9 million in FY 2020 and decrease by $321.0 million in FY 2021. Special fund expenditures increase by $93.8 million in FY 2020 and decrease by $168.4 million in FY 2021. Federal funds (shown) and reimbursable, general fund pay-as-you-go, and nonbudgeted funds (not shown) are also affected. Future estimates reflect the ongoing effects of the bill. **The bill affects existing mandated appropriations.**

| ($ in millions) | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|---|---|
| GF Revenue | $0 | $302.9 | $289.9 | $228.4 | $157.0 |
| SF Revenue | $99.9 | ($321.0) | ($246.7) | ($144.8) | ($64.1) |
| FF Revenue | ($0.3) | (-) | $0 | $0 | $0 |
| GF Expenditure | ($6.4) | ($439.7) | ($85.4) | ($95.2) | ($125.6) |
| SF Expenditure | $93.8 | ($168.4) | $18.4 | $55.3 | $74.6 |
| FF Expenditure | ($0.3) | (-) | $0 | $0.2 | $0.2 |
| Net Effect | $12.5 | $590.0 | $110.2 | $123.4 | $143.8 |

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

**Local Effect:** Local finances are affected beginning in fiscal 2020, as discussed below.

**Small Business Effect:** The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Analysis

**Bill Summary:** A brief overview of the bill's provisions is provided below. In general, the bill's actions increase revenues, provide mandate relief, contain costs, swap funds, and reduce future year general fund expenditures, in addition to various administrative and other actions.

### *Mandate Relief*

- Repeals the requirement that the Governor provide at least $250,000 annually in fiscal 2020 through 2023 for the Children and Parent Resource Group, Inc. and withdraws the unexpended portion of the fiscal 2020 general fund appropriation ($156,500).
- Reduces the level of general funds for the Joseph A. Sellinger formula for qualifying institutions in fiscal 2021 only and specifies the distribution among institutions.
- Reduces the required level of funding for the Seed Community Development Anchor Institution Program from $10.0 million to $5.0 million in fiscal 2021 only.
- Reduces the required appropriation from the premium tax on health insurers to the Maryland Health Benefit Exchange from $35.0 million to $31.5 million in fiscal 2021 only.
- Repeals the requirement, for fiscal 2021 only, that the Governor include two separate appropriations to the State Retirement and Pension System Trust Fund and the Postretirement Health Benefits Trust Fund.
- Extends the repayment of $200.0 million to the Local Reserve Account from $33.3 million annually from fiscal 2021 through 2026 to $10.0 million annually from fiscal 2024 through 2043 and alters the repayment mechanism from an appropriation to a direct distribution from general fund revenues.
- Alters the required fiscal 2021 reduction in the Medicaid Deficit Assessment in the Medicaid program from $25.0 million to $15.0 million and freezes the assessment at a specified level permanently.

### *Revenue Actions, Fund Swaps, Cost Shifts, and Cost Containment*

- Repeals, in fiscal 2022, the Rate Stabilization Fund (RSF) and eliminates, beginning in fiscal 2022, the distribution of certain premium tax revenues to RSF; instead, those revenues are directed to the general fund.
- Increases the monthly Drinking Driver Monitor Program fee from $55 to $75.
- Makes permanent the $40 surcharge on recordable instruments, which otherwise reverts to $20 beginning in fiscal 2021.

- Clarifies the use of the Blueprint for Maryland’s Future Fund to include Maryland prekindergarten expansion grants funded by the Maryland State Department of Education (MSDE).
- Slows the full phase-in of the revenue volatility adjustment from fiscal 2022 to 2026, with specific dollar amounts.
- Permanently decreases, beginning in fiscal 2021, the annual maximum amount of film production activity tax credits that the Secretary of Commerce may award from $14.0 million or more to $12.0 million.
- Requires certain payees and third-party settlement organizations that must submit 1099-K statements to annually report the amount of gross payments received during the taxable year to the Comptroller and the payment recipient, if the amount exceeds $600.
- Repeals the administrative fee that car dealers may keep for collecting and remitting the vehicle excise tax and increases, from $300 to $500, the processing fee car dealers may charge in addition to the purchase price of a vehicle.
- Limits growth in fiscal 2021 rates paid to providers with rates set by the Interagency Rates Committee to no more than 2.0% over the rates in effect on June 30, 2020.
- Authorizes the transfer of $199,517 from the Board of Physicians Fund in the Maryland Department of Health (MDH) to the Office of the Secretary in MDH to repay general funds expended by MDH for the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants.
- Authorizes, for fiscal 2021 only, the Governor to transfer $43.9 million from the balance in the Dedicated Purpose Account designated for Program Open Space repayment to the general fund.
- Authorizes a combined $62.0 million of fiscal 2020 appropriations in the Dedicated Purpose Account, but restricted for another purpose by the General Assembly, to be transferred to the Annuity Bond Fund in fiscal 2020.
- Requires a transfer of $54.0 million from the Revenue Stabilization Account (Rainy Day Fund) to the general fund in fiscal 2021.
- Authorizes the transfer of $750,000 from the balance in the State Board of Pharmacy Fund in fiscal 2021 and 2022 to Medicaid.
- Authorizes the transfer of $900,000 from the balance in the State Board of Physicians Fund to the general fund in fiscal 2021.
- Reduces the fiscal 2020 general fund appropriation for premium subsidy payments for the federal Dairy Margin Coverage Program in the Maryland Department of Agriculture’s Marketing and Agriculture Development program by $216,253.
- Reduces the fiscal 2020 general and federal fund appropriations for the new Administrative Services Organization contract in the Behavioral Health Administration by a total of $575,000.

- Reduces the fiscal 2020 special fund appropriation from The Blueprint for Maryland's Future Fund for the Concentration of Poverty Grant by $5,971,992.
- Reduces the fiscal 2020 general fund appropriation for the Maryland Community College Promise Scholarship Program by $3.0 million.
- Reduces the fiscal 2020 general fund appropriation for personnel in the Department of Public Safety and Correctional Services (DPSCS) by $2.5 million.
- Reduces the unexpended fiscal 2020 general and special fund appropriations for the Agency Election Management System by a total of $468,775.

***Administrative and Other Actions***

- Alters the distribution of payments collected under the Medicaid value-based purchasing program and makes other related changes.
- Reduces the Maryland Agricultural and Resource-Based Industry Development Corporation funding mandate from $2,875,000 to $2,735,000 in fiscal 2022 through 2024 and extends the mandate through fiscal 2025. Specifies the use of the mandated funding from fiscal 2022 through 2025, with further specificity upon enactment of other legislation.
- Transfers the role of fiscal agent of the Children's Cabinet Interagency Fund and its associated appropriation from MSDE to the Governor's Office of Crime Prevention, Youth, and Victim Services.
- Authorizes mandated funding for the Community College Facilities Renewal Program to be provided in the operating or capital budget, rather than only the operating budget, beginning in fiscal 2022.
- Prohibits a qualified beneficiary under the Maryland Senator Edward J. Kasemeyer College Investment Plan from receiving more than two State matching contributions per year through the Save4College State Contribution Program, beginning in 2021.
- Requires DPSCS, the Maryland Department of Planning, and DLS to coordinate and take certain actions, as specified, in relation to decennial census data.
- Prohibits, beginning in fiscal 2021, the Uninsured Employers' Fund from expending any money for administrative expenses from the fund without an appropriation.
- Prohibits the restoration of any item specifically deleted or reduced by the General Assembly for the same purpose as originally proposed unless the language deleting or reducing the appropriation expressly authorizes the restoration of funds.
- Repeals a requirement that specified information be included in the annual budget books and instead requires that this and other information be provided online simultaneously with the submission of the annual State budget.
- Increases the potential cost-of-living adjustment in fiscal 2021 that is funded from the Fiscal Responsibility Fund from up to 2.0% to up to 3.0% for specified State union employees and establishes a related prioritization process.

- Requires specified grants from proceeds of the State admission and amusement tax on electronic bingo and electronic tip jars in Calvert County to be provided through an appropriation in the annual State budget.
- Alters the special use assessment for country clubs and golf courses that enter into or extend the term of a specified agreement with the State Department of Assessments and Taxation on or after June 1, 2020.
- Restructures transfer tax repayments to reschedule (1) $38.2 million that will not be repaid in fiscal 2021 and (2) $43.9 million that was not released from the Dedicated Purpose Account in fiscal 2020 and is authorized to be transferred by Section 12 of this bill.
- Repeals a requirement that transportation aid funding to Baltimore City restricted in the 2020 budget for specified projects be provided on a reimbursable basis and clarifies the scope of a particular road project.
- Reduces the fiscal 2021 funding that the Governor must provide to the Rainy Day Fund by $284.4 million.
- Requires the State Board of Physicians, in fiscal 2021 only, to set licensing fees at a level at least equal to the level in effect on March 1, 2020.
- Authorizes the Governor to transfer up to $100.0 million during calendar 2020 from the Rainy Day Fund to units of State government to fund costs associated with the Coronavirus Disease 2019 and establishes related notification and reporting requirements.

**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 2019, the Spending Affordability Committee recommended that the fiscal 2021 budget eliminate 100% of the structural deficit forecast for fiscal 2021 and leave a closing general fund balance of at least $100.0 million. The committee also recommended maintaining a Rainy Day Fund balance of at least 6.0% of estimated general fund revenues. The Governor's proposed fiscal 2021 budget, as introduced, fell short of structural balance by $37.0 million and left a $108.5 million closing fund balance.

**State Effect:** Estimates of the fiscal 2020 and 2021 impact of the bill on the State general fund, totaling $749.0 million, are shown in **Exhibit 1**.

**Exhibit 1**
**General Fund Impact of the Budget Reconciliation and Financing Act of 2020**
**Fiscal 2020 and 2021**
**($ in Millions)**

| | FY 2020 | FY 2021 |
|---|---|---|
| **Revenues** | | |
| Mandate Relief | $0.0 | $3.5 |
| Other Actions | 0.0 | 299.4 |
| ***Revenue Subtotal*** | ***$0.0*** | ***$302.9*** |
| | | |
| **Expenditures** | | |
| Mandate Relief | ($0.2) | ($115.0) |
| Other Actions | (6.2) | (324.7) |
| ***Expenditure Subtotal*** | ***($6.4)*** | ***($439.7)*** |
| | | |
| **Total Impact** | **$6.4** | **$742.6** |

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 2020 through 2025 State effects for each provision, including the general fund impacts, the effects on other fund types, and other related information, such as any effects on local governments, are included with the discussions. **Appendix B** (beginning on page 75) identifies the fiscal impact of separate provisions by fund type.

## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 152 (The Speaker)(By Request - Administration) - Appropriations.

**Information Source(s):** Department of Commerce; Comptroller's Office; Maryland State Treasurer's Office; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; Department of Budget and Management; Maryland Department of Health; Department of Housing and Community Development; Department of Natural Resources; Maryland Department of Agriculture; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Public Safety and Correctional Services; Maryland Department of Planning; Judiciary (Administrative Office of the Courts); Governor's Office of Crime Prevention, Youth, and Victim Services; Health Benefit Exchange; Maryland Insurance Administration; Department of Information Technology; State Board of Elections; State Retirement Agency; Uninsured Employers' Fund; Maryland Independent College and University Association; Maryland 529; Maryland Association of Counties; Baltimore City; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2020
rh/ljm Enrolled - May 7, 2020
Revised - Amendment(s) - May 7, 2020
Revised - Budget Information - May 7, 2020

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Analysis by: Stephen M. Ross, Elizabeth J. Allison, and Tonya D. Zimmerman

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## Appendix A – Contents

## Mandate Relief



## Revenue Actions, Fund Swaps, Cost Shifts, and Cost Containment

## Administrative and Other Actions

**Repeal Mandated Grant to Children and Parent Resource Group, Inc. and Withdraw Unspent Fiscal 2020 Funds**

**Provisions in the Bill:** Repeal the requirement that the Governor provide at least $250,000 annually in fiscal 2020 through 2023 for the Children and Parent Resource Group, Inc. and withdraw the unexpended portion of the fiscal 2020 general fund appropriation for the grant that has not yet been awarded ($156,500). The fiscal 2021 budget includes a $250,000 general fund reduction for the Violence Intervention and Prevention Program (VIPP) within the Governor's Office of Crime Prevention, Youth, and Victim Services, contingent on the enactment of legislation repealing the mandate.

**Agency:** Governor's Office of Crime Prevention, Youth, and Victim Services

**Type of Action:** Mandate relief; Cost containment

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp. | ($0.16) | ($0.25) | ($0.25) | ($0.25) | $0 | $0 |

**State Effect:** General fund expenditures for the office decrease by $156,500 in fiscal 2020, and by $250,000 annually in fiscal 2021 through 2023.

**Local Effect:** None.

**Program Description:** Chapter 148 of 2018 established the Maryland Violence Intervention and Prevention Program Fund within the Governor's Office of Crime Prevention, Youth, and Victim Services (then the Governor's Office of Crime Control and Prevention) to support effective violence reduction strategies through competitive grants to local governments and nonprofit organizations. The Act also mandated funding for specified grants, including an annual grant of at least $250,000 to the Children and Parent Resource Group, Inc. in fiscal 2020 through 2023.

**Recent History:** A recent audit by the Office of Legislative Audits raised questions regarding the propriety of a State grant awarded by the Opioid Operational Command Center to a nonprofit organization that is also identified under State law as the recipient of mandated grant funding from the office through VIPP. The Children and Parent Resource Group, Inc. received $93,500 of its fiscal 2020 appropriation from VIPP. The fiscal 2021 budget includes a total of $1.9 million for VIPP.

**Location of Provisions in the Bill:** Section 2 (p. 9) and Section 23 (p. 69)

Analysis prepared by: Nicholas J. Konzelman

**Reduce the Sellinger Funding Formula for Fiscal 2021 Only**

**Provisions in the Bill:** Reduce the level of general funds for the Joseph A. Sellinger formula for qualifying institutions in fiscal 2021 to $69,624,905, and specify that funds are to be allocated based on each institution's proportion of full-time equivalent students (FTES) in the fall semester of fiscal 2020 at all the qualifying institutions.

**Agency:** Maryland Higher Education Commission

**Type of Action:** Mandate relief

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp | $0 | ($21.4) | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures for the Sellinger formula decrease by $21.4 million in fiscal 2021; out-year expenditures are not affected.

**Local Effect:** None.

**Program Description:** The Joseph A. Sellinger Program provides State funding to 13 qualifying nonprofit independent colleges and universities. The Sellinger formula uses a percentage of the State's per FTES funding for select public four-year institutions of higher education to determine a per FTES funding amount for the independent institutions. Under current law, the mandated Sellinger percentage of per FTES funding at the four-year institutions is 15.5% for fiscal 2021 and thereafter. The impact of the fiscal 2021 reduction by institution is shown in **Exhibit 1**.

**Recent History:** The Budget Reconciliation and Financing Act (BRFA) of 2012 set State funding per FTES at the fiscal 2013 level from fiscal 2014 through 2017 and reduced formula funding levels for fiscal 2018 through 2020. The BRFA of 2014 altered the funding percentages to increase support for eligible institutions sooner than originally planned. The BRFA of 2015 set Sellinger funding for fiscal 2016 at $42.8 million but did not alter the statutory percentages for future years. In fiscal 2020, funding of the formula was reduced by $0.4 million.

**Location of Provisions in the Bill:** Section 6 (pp. 26-28)

Analysis prepared by: Sara J. Baker

**Exhibit 1**
**Comparison of Funding Distribution by Enrollment**
**Fiscal 2021**

| Institution | Current Law | BRFA | $ Change Under the BRFA | % Change Under the BRFA |
|---|---|---|---|---|
| The Johns Hopkins University | $45,504,381 | $34,792,866 | -$10,711,515 | -23.5% |
| Loyola College | 9,877,993 | 7,552,761 | -2,325,232 | -23.5% |
| Stevenson University | 6,615,819 | 5,058,487 | -1,557,332 | -23.5% |
| McDaniel College | 4,825,157 | 3,689,338 | -1,135,819 | -23.5% |
| Maryland Institute College of Art | 4,347,606 | 3,324,200 | -1,023,406 | -23.5% |
| Mount St. Mary's College | 4,026,474 | 3,078,661 | -947,813 | -23.5% |
| Goucher College | 3,481,644 | 2,662,082 | -819,562 | -23.5% |
| Washington College | 2,893,275 | 2,212,212 | -681,063 | -23.5% |
| Hood College | 2,882,901 | 2,204,280 | -678,621 | -23.5% |
| Notre Dame of Maryland University | 2,600,462 | 1,988,326 | -612,136 | -23.5% |
| Washington Adventist University | 1,681,763 | 1,285,884 | -395,879 | -23.5% |
| St. John's College | 1,333,344 | 1,019,481 | -313,863 | -23.5% |
| Capitol Technology University | 989,175 | 756,328 | -232,847 | -23.5% |
| **Total** | **$91,059,994** | **$69,624,905** | **-$21,435,089** | **-23.5%** |

BRFA: Budget Reconciliation and Financing Act

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

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

**Reduce Funding for Seed Community Development Anchor Institution Program in Fiscal 2021 Only**

**Provisions in the Bill:** Reduce the required level of funding for the Seed Community Development Anchor Institution Program from $10.0 million to $5.0 million in fiscal 2021 only.

**Agency:** Department of Housing and Community Development

**Type of Action:** Mandate relief

**State Effect:** General obligation (GO) bond funding for the program decreases by $5.0 million in fiscal 2021 only; there is no net impact on State spending as the bond funds are redirected to other capital programs or projects.

**Local Effect:** None.

**Program Description:** Chapter 31 of 2016 established the Seed Community Development Anchor Institution Fund and required the Governor to provide $5.0 million to the fund from fiscal 2018 through 2022, an amount which was later increased to $10.0 million and made permanent. Funds may be provided in the operating and/or capital budget. The purpose of the fund is to provide grants and loans to "anchor institutions" such as hospitals or institutions of higher education for community development projects in blighted areas of the State.

**Recent History:** The Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) reduced funding by $5.0 million in general funds in fiscal 2018 and altered the funding requirement to allow the Governor to meet the mandate through the operating and/or the capital budget. The BRFA of 2018 (Chapter 10) reduced funding from $5.0 million to $4.0 million for fiscal 2019 only. Chapter 25 of 2019 increased, from $5.0 million to $10.0 million, the amount of funding the Governor must provide annually beginning in fiscal 2021, and made the requirement permanent.

The fiscal 2021 budget includes $5.0 million in general fund expenditures for the program. The Maryland Consolidated Capital Bond Loan of 2020 does not include GO bond expenditures for the program, consistent with the reduced mandate in fiscal 2021.

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

Analysis prepared by: Emily R. Haskel

**Reduce Mandate for the Maryland Health Benefit Exchange in Fiscal 2021 Only**

**Provisions in the Bill:** Reduce the required appropriation from the premium tax on health insurers to the Maryland Health Benefit Exchange (MBHE) from $35.0 million to $31.5 million in fiscal 2021 only. The fiscal 2021 budget includes a $3.5 million special fund reduction, contingent on the enactment of legislation altering the mandate.

**Agency:** Maryland Health Benefit Exchange

**Type of Action:** Mandate relief; Revenue action

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $3.5 | $0.0 | $0.0 | $0.0 | $0.0 |
| SF Rev | $0 | ($3.5) | $0.0 | $0.0 | $0.0 | $0.0 |
| FF Rev | $0 | (-) | $0.0 | $0.0 | $0.0 | $0.0 |
| SF Exp | $0 | ($3.5) | $0.0 | $0.0 | $0.0 | $0.0 |
| FF Exp | $0 | (-) | $0.0 | $0.0 | $0.0 | $0.0 |

**State Effect:** Special fund revenues and expenditures decrease by $3.5 million in fiscal 2021 only. General fund revenues increase correspondingly. Premium tax revenues not otherwise distributed under statute are transferred to the general fund. In addition, federal fund revenues and expenditures are expected to decrease in fiscal 2021 due to the one-time reduction. The exact level of decrease depends on the types of activities that will not occur; as such, the amount cannot be definitively known.

**Local Effect:** None.

**Program Description:** Chapters 1 and 2 of 2011 created MHBE in response to the federal Patient Protection and Affordable Care Act of 2010. MHBE is intended to provide a marketplace for individuals and small businesses to access affordable or no-cost health coverage. Funding is used to support the operations of MHBE and the Maryland Health Connection. Unlike most special funds, any unspent funds revert to the general fund at the end of each fiscal year.

**Recent History:** Chapter 159 of 2013 established a distribution from the premium tax on health insurers as funding for the MHBE Fund and mandated a minimum level of appropriations beginning in fiscal 2015. In fiscal 2015, the mandated appropriation was no less than $10.0 million. Beginning in fiscal 2016, the mandated appropriation was $35.0 million. In recent years, MHBE has not spent all of the mandated appropriation. In fiscal 2018, MHBE canceled $7.1 million in special funds from the fund. In fiscal 2019, MHBE canceled $6.2 million of special funds from the fund. The fiscal 2021 budget also contains a $210,000 reduction of special funds from the premium tax revenue due to development of a reinsurance claims system that is not needed as the federal system for claims will remain available. In addition, language in the fiscal 2021 budget restricts a portion of the special fund appropriation until the agency submits a report evaluating future funding needs.

**Location of Provisions in the Bill:** Section 6 (pp. 39-40)

Analysis prepared by: Tonya D. Zimmerman

**Eliminate the Pension Sweeper and Other Postemployment Benefits Payments in Fiscal 2021 Only**

**Provision in the Bill:** Repeals the requirement, for fiscal 2021 only, that the Governor include two separate appropriations to (1) the State Retirement and Pension System (SRPS) trust fund equal to one-quarter 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 $25.0 million and (2) the Postretirement Health Benefits Trust Fund equal to one-quarter 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 $25.0 million. The fiscal 2021 budget includes $50.0 million in general fund reductions to the State Reserve Fund, contingent on the enactment of legislation that, for fiscal 2021, reduces the retirement reinvestment contribution and eliminates the payment for other postemployment benefits (OPEB).

**Agency:** State Retirement Agency; Department of Budget and Management

**Type of Action:** Mandate relief

| **Fiscal Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| | | | *($ in millions)* | | | |
| SF Rev | $0 | ($50.0) | $0 | $0 | $0 | $0 |
| GF Exp | $0 | ($50.0) | $0 | $1.93 | $2.02 | $2.10 |
| SF Exp | $0 | $0 | $0 | $0.18 | $0.19 | $0.20 |
| FF Exp | $0 | $0 | $0 | $0.18 | $0.19 | $0.20 |

**State Effect:** General fund expenditures decrease by $50.0 million in fiscal 2021 because the Governor is no longer required to allocate the funds from the general fund surplus to the SRPS trust fund ($25.0 million) or OPEB trust fund ($25.0 million). Special fund revenues for the two trust funds decrease commensurately. State pension contributions increase by $2.3 million in fiscal 2023, which represents the amortized cost of making up the foregone payment to the SRPS trust fund in fiscal 2021. The 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.

As the State does not prefund OPEB costs in the same manner that it prefunds pension costs, there is no out-year effect resulting from the missed payment to the OPEB trust fund.

**Local Effect:** None.

**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. Chapter 557 of 2017 required that the payments continue indefinitely beyond fiscal 2020, but also required that, beginning in fiscal 2021, they be evenly divided between the SRPS trust fund and the OPEB trust fund, up to the same combined total of $50.0 million.

Chapter 466 of 2004 created the Postretirement Health Benefits Trust Fund to provide a vehicle for the State to prefund future costs associated with providing health coverage to State retirees. Although the State made contributions to the Postretirement Health Benefits Trust Fund in fiscal 2007, 2008, and 2009, it has not made any contributions to the fund since then and continues to fund retiree health benefits on a pay-as-you-go basis. As of June 30, 2019, the market value of assets in the fund was $350.7 million.

**Recent History:** In accordance with Chapter 489, a payment of $50.0 million was made to the SRPS trust fund in fiscal 2017. However, even though the general fund surplus has exceeded $60.0 million in each succeeding year, successive BRFAs have repealed the required payments in fiscal 2018, 2019, and 2020.

**Location of Provision in the Bill:** Section 6 (pp. 44-45)

Analysis prepared by: Michael C. Rubenstein and Jason A. Kramer

**Alter Local Reserve Account Repayments**

**Provisions in the Bill:** Extend the repayment of $200.0 million to the Local Reserve Account from $33.3 million annually from fiscal 2021 through 2026 to $10.0 million annually from fiscal 2024 through 2043, and alter the repayment mechanism from an appropriation to a direct distribution from general fund revenues. The fiscal 2021 budget includes a $33.3 million reduction, contingent on the enactment of legislation deferring the fiscal 2021 Local Income Tax Reserve Fund repayment until the out-years.

**Agency:** State Reserve Fund

**Type of Action:** Mandate relief

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Rev | $0 | $0.0 | $0.0 | $0.0 | ($10.0) | ($10.0) |
| GF Exp | $0 | ($33.3) | ($33.3) | ($33.3) | ($33.3) | ($33.3) |
| SF Rev | $0 | ($33.3) | ($33.3) | ($33.3) | ($33.3) | ($33.3) |
| SF Exp | $0 | ($33.3) | ($33.3) | ($33.3) | ($33.3) | ($33.3) |

**State Effect:** General fund revenues decrease by $10.0 million annually from fiscal 2024 through 2043 due to the repayment being directly distributed to the Local Reserve Account by the Comptroller. General fund expenditures decrease by $33.3 million from fiscal 2021 through 2026 due to the elimination of the required appropriation to the Dedicated Purpose Account for the repayment. Special fund revenues and expenditures in the Dedicated Purpose Account decrease correspondingly. Nonbudgeted revenues for the Local Income Tax Reserve Fund decrease by $33.3 million annually from fiscal 2021 through 2023, decrease by $23.3 million annually from fiscal 2024 through 2026, and then increase by $10.0 million annually from fiscal 2027 through 2043 due to the extended repayment period (not shown above).

**Local Effect:** None.

**Program Description:** The State maintains a Local Reserve Account utilized for holding and disbursing income taxes collected by the State for local jurisdictions. According to generally accepted accounting principles, the State is supposed to maintain a sufficient fund balance to pay future refunds realized during the fiscal year in case the income tax is no longer collected. If the account is insufficiently capitalized at the end of a fiscal year, the State is required to report the underfunding as an unfunded liability in the *Comprehensive Annual Financial Report* (CAFR). If the State has a plan in place to reimburse the account, the State does not need to show an unfunded liability in CAFR.

**Recent History:** Chapter 484 of 2010 transferred $200.0 million from the Local Reserve Account to the general fund to be used for Medicaid in fiscal 2011 and required that this amount be repaid from fiscal 2021 through 2026 at $33.3 million per year.

Chapter 489 of 2015 (the Budget Reconciliation and Financing Act (BRFA) of 2015) authorized a transfer of $100.0 million from the Local Reserve Account to the general fund in fiscal 2015. Chapter 489 also required annual $10.0 million repayments via revenue transfer for fiscal 2016 through 2025. Chapter 10 of 2018 (BRFA of 2018) extended those $10.0 million reimbursements indefinitely to reduce the total unfunded liability, which was $793.0 million at the close of fiscal 2019.

**Location of Provisions in the Bill:** Section 6 (p. 51-53)

Analysis prepared by: Rebecca J. Ruff and Tonya D. Zimmerman

**Alter Medicaid Deficit Assessment Reduction Permanently**

**Provisions in the Bill:** Alter the required fiscal 2021 reduction in the Medicaid Deficit Assessment in the Medicaid program from $25.0 million to $15.0 million and freeze the assessment at that level permanently. The required budgeted amount for the Medicaid Deficit Assessment for fiscal 2021 is increased from $284,825,000 to $294,825,000 and will remain at that level in the out-years. The fiscal 2021 budget includes a reduction of $10.0 million in general funds, contingent on the enactment of legislation increasing the Medicaid Deficit Assessment for fiscal 2021.

**Agency:** Maryland Department of Health

**Type of Action:** Mandate relief; Cost containment

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| SF Rev | $0 | $10.0 | $35.0 | $60.0 | $85.0 | $110.0 |
| GF Exp | $0 | ($10.0) | ($35.0) | ($60.0) | ($85.0) | ($110.0) |
| SF Exp | $0 | $10.0 | $35.0 | $60.0 | $85.0 | $110.0 |

**State Effect:** General fund expenditures decrease by $10.0 million in fiscal 2021, and by an additional $25.0 million in each of the subsequent years, reaching a $110.0 million reduction in fiscal 2025. Special fund revenues and expenditures increase correspondingly.

**Local Effect:** None.

**Program Description:** Following the 2007-2009 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 (currently $56.5 million).

**Recent History:** 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. 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 be $35.0 million in each year and specified the deficit assessment level. The

BRFA of 2018 (Chapter 10) adjusted the reduction in fiscal 2019 to $30.0 million and required a $40.0 million reduction in fiscal 2020. The BRFA of 2019 (Chapter 16) decreased the reduction in fiscal 2020 by $15.0 million but retained the out-year reduction of $25.0 million.

**Location of Provisions in the Bill:** Section 8 (pp. 63-64)

Analysis prepared by: Simon G. Powell

## Repeal Rate Stabilization Fund in Fiscal 2022 and Redirect Revenues to the General Fund

**Provisions in the Bill:** Repeal, in fiscal 2022, the Rate Stabilization Fund (RSF) and eliminate, beginning in fiscal 2022, the distribution of certain premium tax revenues to RSF; instead, those revenues are directed to the general fund.

**Agency:** Maryland Department of Health

**Type of Action:** Revenue action; Change use of special funds

**State Effect:** No net increase or decrease in overall revenues or expenditures. Distribution of revenues and expenditures among fund types is altered. Ending the allocation to RSF, beginning in fiscal 2022, increases general fund revenues by the amount that would have otherwise been provided to RSF and decreases Medicaid special fund revenues correspondingly. General fund expenditures increase and Medicaid special fund expenditures decrease correspondingly beginning in fiscal 2022 (because special funds from RSF are no longer available to support Medicaid). The level of general fund revenue increase and corresponding general fund expenditure increase and Medicaid special fund revenue and expenditure decrease cannot be reliably estimated as it is based on collections.

**Local Effect:** None.

**Program Description:** RSF is funded through a 2.0% premium tax on health maintenance organizations and managed care organizations. Originally imposed to subsidize medical malpractice premiums and support increased provider rates in Medicaid, the fund now solely supports the Medicaid program. Premium taxes collected from other providers are deposited into the general fund and directed to the Maryland Health Benefit Exchange.

**Recent History:** Since fiscal 2017, there has been considerable variance between RSF revenues anticipated in the Medicaid budget and actual revenues received. At the same time, general fund revenues from premium taxes have varied inversely to the changes in RSF. These variances have made forecasting general fund and RSF revenues problematic.

**Location of Provisions in the Bill:** Sections 1, 3, and 4 (p. 9), Section 6 (pp. 37-38), and Section 28 (p. 70).

Analysis prepared by: Simon G. Powell

## Increase the Drinking Driver Monitor Program Fee

**Provision in the Bill:** Increases the monthly Drinking Driver Monitor Program (DDMP) fee from $55 to $75. The fiscal 2021 budget includes a $1.3 million general fund reduction for DDMP, contingent on the enactment of legislation to increase the fee.

**Agency:** Department of Public Safety and Correctional Services (DPSCS)

**Type of Action:** Revenue action; Cost containment

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp. | $0 | ($1.3) | ($1.3) | ($1.3) | ($1.3) | ($1.3) |
| SF Rev. | $0.2 | $1.9 | $1.9 | $1.9 | $1.9 | $1.9 |
| SF Exp. | $0 | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 |

**State Effect:** Special fund revenues for DPSCS increase by an estimated $154,000 in fiscal 2020, which accounts for the provision's June 1, 2020 effective date; fiscal 2020 expenditures are not affected. Special fund revenues for DPSCS increase by $1.9 million annually beginning in fiscal 2021. Special fund expenditures increase by $1.3 million annually beginning in fiscal 2021 as available special funds are used to support the program at its existing level of activity. General fund expenditures decrease correspondingly as they are no longer required. This estimate assumes that the program continues to operate at existing levels of activity; actual revenues will vary based on the number of DDMP cases supervised, while special fund expenditures increase/general fund expenditures decrease by up to the amount of additional special fund revenue received from the increased fee.

**Local Effect:** None.

**Program Description/Recent History:** DDMP is a specialized program within DPSCS for persons convicted of drunk or drugged driving offenses. The program emphasizes abstinence from alcohol and other drugs, alcohol education and treatment, and rehabilitation. It is designed to maximize monitoring and reporting to gain compliance with court-ordered treatment or education. Offenders are referred to DDMP primarily by the courts; they may also be referred by the Medical Advisory Board of the Motor Vehicle Administration. DDMP supervisees are assessed a monthly program fee of $55. Program fees are deposited in the Drinking Driver Monitoring Program Fund. The fund is intended to support all operational costs of DDMP; however, the current fee no longer provides sufficient revenue and general funds have been used to support the program.

**Location of Provision in the Bill:** Section 6 (pp. 14-15)

Analysis prepared by: Jacob C. Cash

**Make Permanent Circuit Court Real Property Records Improvement Fund Surcharge**

**Provision in the Bill:** Makes permanent the $40 surcharge on recordable instruments, which otherwise reverts to $20 beginning in fiscal 2021. Surcharge revenue is deposited in the Circuit Court Real Property Records Improvement Fund.

**Agency:** Judiciary

**Type of Action:** Revenue action; Cost containment

| **Fiscal Impact:** | **FY 2020** | **FY 2021** | *($ in millions)* **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| SF Rev. | $0 | $14.6 | $14.6 | $14.6 | $14.6 | $14.6 |
| GF Exp. | $0 | $0 | ($14.6) | ($14.6) | ($14.6) | ($14.6) |
| SF Exp. | $0 | $0 | $14.6 | $14.6 | $14.6 | $14.6 |

**State Effect:** Assuming the number of cases for which the surcharge is imposed remains constant, special fund revenues for the Judiciary increase by $14,641,321 annually beginning in fiscal 2021. Beginning in fiscal 2022, special fund expenditures increase and general fund expenditures decrease by an equivalent amount. This assumes the Circuit Court Real Property Records Improvement Fund still has sufficient fund balance to cover costs in fiscal 2021 but that it would otherwise be depleted by fiscal 2022 and that general funds would have been reallocated to support ongoing costs, as discussed below.

**Local Effect:** None.

**Program Description:** Created by Chapter 327 of 1991, the Circuit Court Real Property Records Improvement Fund supports all personnel and operating costs within the land records offices of the clerks of the circuit court as well as a portion of the Judiciary's information technology (IT) costs. The clerk's office of the circuit court in each jurisdiction imposes a surcharge on each recordable instrument that is recorded among the jurisdiction's land records or financing statement records. A "recordable instrument" includes any deed, grant, mortgage, deed of trust, lease, assignment, and release that pertains to any interest in property or land. The sum total of the surcharges is deposited in the Circuit Court Real Property Records Improvement Fund, which is managed by the State Court Administrator with advice from a five-member oversight committee.

**Recent History:** In response to concerns regarding the sustainability of the fund, Chapter 397 of 2011 (the Budget and Reconciliation Financing Act) increased the surcharge on all recordable instruments from $20 to $40 for fiscal 2012 through 2015.

Chapter 487 of 2015 extended the termination date of the increased $40 surcharge through fiscal 2020.

The surcharge is estimated to generate $29,282,641 in fiscal 2020. Absent this provision, revenues from the surcharge are estimated to total $14,641,321 in fiscal 2021. The fiscal 2021 budget includes approximately $47.4 million in expenditures from the fund to support the budget of the Judiciary, including $18.4 million for major IT development projects, $9.1 million for other Judicial Information Systems spending, and $20.0 million for the clerks of the circuit courts. Due to these expenditures, absent this provision, the Circuit Court Property Records Improvement Fund will be depleted by fiscal 2022.

**Location of Provision in the Bill:** Section 6 (pp. 15-16)

Analysis prepared by: Kenneth B. Weaver

## Clarify Authorized Uses of the Blueprint for Maryland's Future Fund

**Provision in the Bill:** Clarifies that authorized uses of the Blueprint for Maryland's Future Fund include Maryland prekindergarten expansion grants funded by the Maryland State Department of Education (MSDE).

**Agency:** Maryland State Department of Education

**Type of Action:** Change use of special funds

**State Effect:** No effect on overall special fund revenues or expenditures; however, funds are reallocated among eligible activities.

**Local Effect:** None.

**Program Description:** The Blueprint for Maryland's Future Fund may only be used to assist in providing adequate funding for early childhood education and primary and secondary education based on the recommendations of the Commission on Innovation and Excellence in Education, including revised education funding formulas. The fund consists of income tax funds distributed to the commission in fiscal 2019, any sales and use tax revenues in excess of $100.0 million each year collected by the Comptroller from marketplace facilitators and certain out-of-state vendors, and any fiscal 2021 filing fees from corporations and business entities in excess of $62.25 million. The fund is expected to collect $103.0 million in new revenue in fiscal 2021.

MSDE administers the Prekindergarten Expansion Grant program, which offers competitive grants to qualified public and private prekindergarten providers to serve four-year-olds from families with incomes at or below 300% of the federal poverty guidelines.

**Recent History:** Chapter 361 of 2018 established the Commission on Innovation and Excellence in Education Fund and required the Comptroller to distribute $200.0 million in income tax revenue to the fund in fiscal 2019. Chapter 771 of 2019 created the Blueprint for Maryland's Future Fund as the successor to the commission fund and added sales and use tax revenues from marketplace facilitators and certain out-of-state-vendors as a source of revenue for the fund under certain circumstances. Chapter 16 of 2019, the Budget Reconciliation and Financing Act, delayed until fiscal 2022 the exemption from the State's annual filing fee for corporations and business entities who participate in the Maryland Small Business Retirement Savings Program and Trust and dedicated revenues from the filing fee in excess of $62.25 million to the Blueprint for Maryland's Future Fund in fiscal 2021.

**Location of Provision in the Bill:** Section 6 (p. 17)

Analysis prepared by: Anne P. Wagner

**Slow Phase-in of Revenue Volatility Adjustment**

**Provisions in the Bill:** Alter the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to (1) delay the full phase-in to 2.0% from fiscal 2022 to 2026 and (2) establish specific dollar amounts for the cap per year, beginning with $0 in fiscal 2021, $80 million in fiscal 2022, and then increasing by $20 million per year, until a maximum of 2.0% of general fund revenues is achieved in fiscal 2026 and later.

**Agency:** State Reserve Fund

**Type of Action:** Revenue action

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Rev | $0 | $193.7 | $279.9 | $215.4 | $154.0 | $137.1 |
| SF Rev | $0 | ($193.7) | ($279.9) | ($215.4) | ($154.0) | ($137.1) |

**State Effect:** General fund revenues increase by $193.7 million in fiscal 2021 due to lowering the cap from 1.0% of general fund revenues to $0.0 million. Special fund revenues for the Revenue Stabilization Account (Rainy Day Fund) and Fiscal Responsibility Fund decrease correspondingly. Out-year impacts reflect the proposed change in the cap each year in comparison to the March 2020 Board of Revenue Estimates general fund forecast. Special fund expenditures from the Fiscal Responsibility Fund potentially decrease by the amount that would have gone to that fund from fiscal 2023 to 2027 if the revenue exceeding the cap is realized.

**Local Effect:** None.

**Program Description:** Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceeds the 10-year average. If nonwithholding revenues, as a percentage of general fund revenues, are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the Acts specify how the excess revenues are to be allocated. The excess revenues are to be distributed (1) to close any revenue gap for the fiscal year; (2) to the Rainy Day Fund (if the account is less than 6.0% of general fund revenues), the amount that is required to provide a balance in the account of 6.0% of general fund revenues; and (3) the remainder split 50.0% to the Rainy Day Fund and 50.0% to the Fiscal Responsibility Fund.

The Fiscal Responsibility Fund was established to hold the amount of nonwithholding income tax revenues that exceed the capped estimate. The funds are to be used only to provide pay-as-you-go capital funds for (1) public school construction and public school capital improvement projects; (2) capital projects at public community colleges; and (3) capital projects at four-year public institutions of higher education. The funds are required to be appropriated in the second following fiscal year.

**Recent History:** Chapters 4 and 550 originally set the cap on the revenue volatility adjustment at 2.0% of general fund revenues beginning in fiscal 2020. Chapter 10 of 2018 (Budget Reconciliation and Financing Act (BRFA) of 2018) phased in the cap over three years, with no more than 0.5% of projected general fund revenues subject to the cap in fiscal 2020. Chapter 16 of 2019 (BRFA of 2019) scaled back the cap in fiscal 2020 to 0.225% of projected general fund revenues.

**Location of Provisions in the Bill:** Section 6 (p. 41-42)

Analysis prepared by: Rebecca J. Ruff and Tonya D. Zimmerman

**Reduce Film Production Activity Tax Credit**

**Provision in the Bill:** Permanently decreases, beginning in fiscal 2021, the annual maximum amount of film production activity tax credits that may be issued from $14.0 million (or more, depending on the year) to $12.0 million each year.

**Agency:** Department of Commerce

**Type of Action:** Revenue action; Cost containment

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $2.0 | $5.0 | $8.0 | $8.0 | $8.0 |

**State Effect:** General fund revenues increase by up to $2.0 million in fiscal 2021, up to $5.0 million in fiscal 2022, and up to $8.0 million in each year thereafter due to fewer allowed credits claimed against the income tax.

**Local Effect:** None.

**Program Description:** A qualified film production entity that meets specified requirements and is approved by Commerce may receive a tax credit equal to 25% of qualified film production costs incurred in the State, or 27% of costs for a television series, with a maximum tax credit amount per project of $10.0 million. Commerce is required to reserve 10% of all tax credits in each fiscal year for small film entities.

**Recent History:** Chapter 595 of 2018 established maximum amounts of film production activity tax credits that the Secretary of Commerce may award as follows: (1) $8.0 million in fiscal 2019; (2) $11.0 million in fiscal 2020; (3) $14.0 million in fiscal 2021; (4) $17.0 million in fiscal 2022; and (5) $20.0 million annually in fiscal 2023 and thereafter.

**Location of Provision in the Bill:** Section 6 (pp. 53-54)

Analysis prepared by: Emily R. Haskel

**Alter 1099-K Reporting Requirements**

**Provision in the Bill:** Requires certain payees and third-party settlement organizations required to submit 1099-K statements to report annually to the Comptroller and the person receiving the payment the amount of gross payments received during the taxable year, if the amount exceeds $600.

**Agency:** Comptroller of Maryland

**Type of Action:** Revenue action

| Fiscal Impact: | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| | *($ in millions)* | | | | | |
| GF Rev | $0 | $5.0 | $5.0 | $5.0 | $5.0 | $5.0 |

**State Effect:** General fund revenues increase by $5.0 million annually beginning in fiscal 2021, reflecting additional tax compliance under the personal income tax. Expenditures are not affected.

**Local Effect:** Local income tax revenues increase by $3.2 million annually beginning in fiscal 2021. Local expenditures are not affected.

**Program Description:** The 1099-K is an information return that reports the gross amount of all reportable transactions during the calendar year that a person receives from payment card transactions and/or third-party network transactions, if the gross payments are in excess of $20,000 and 200 transactions. The 1099-K return is typically sent to persons engaged in "gig economy" activities such as ridesharing, non-transportation services, online sales, and short-term property rentals. This provision adopts the payment threshold of $600 required under federal law under form 1099-MISC, which generally applies to payments made to non-employees such as general contractors.

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

Analysis prepared by: Robert J. Rehrmann

**Alter Car Dealer Fees**

**Provisions in the Bill:** Repeal the administrative fee that car dealers may keep for collecting and remitting the vehicle excise tax, and increase, from $300 to $500, the processing fee car dealers may charge in addition to the purchase price of a vehicle.

**Agency:** Maryland Department of Transportation (MDOT); Motor Vehicle Administration (MVA)

**Type of Action:** Revenue action

| **Fiscal Impact:** | ***($ in millions)*** **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| SF Rev | $0 | $15.0 | $15.0 | $15.0 | $15.0 | $15.0 |

**State Effect:** Transportation Trust Fund (TTF) revenues increase by $15.0 million annually beginning in fiscal 2021. This estimate reflects (1) an additional $5.0 million in TTF revenue generated annually from the repeal of the administrative fee and (2) an additional $10.0 million in TTF revenue generated annually from the increased maximum dealer processing fee. The dealer processing fee is added to the price of the vehicle for purposes of calculating the excise tax; assuming a dealer charges the maximum authorized fee, the consumer pays an additional $212, of which $200 is retained by the dealer and $12 is remitted to TTF.

Of the increased TTF revenue each year, MDOT retains $13.0 million for use, and $2.0 million is distributed to local jurisdictions in the form of local highway user revenue capital grants.

**Local Effect:** Highway user revenue capital grants to the local jurisdictions increase by $2.0 million annually as a result of the increase in TTF revenue.

**Program Description:** For collecting and remitting the vehicle excise tax on behalf of MVA, a car dealer may keep the lesser of $12 per vehicle or 0.6% of the gross excise tax the dealer collects.

A car dealer may, when selling a vehicle, charge a dealer processing charge of up to $300 to cover costs of specified administrative services concerning the sale of the vehicle, including the preparation of written documentation of the transaction, obtaining the title and license plates for the vehicle, obtaining a release of lien, filing title documents with MVA, retaining documentation and records of the transaction, and complying with federal or State privacy laws.

**Recent History:** Chapter 397 of 2011 reduced by half the administrative fee car dealers may keep for collecting the vehicle excise tax and increased the maximum dealer processing charge over time from $100 to $300.

**Location of Provisions in the Bill:** Section 6 (pp. 61-63)

Analysis prepared by: Steven D. McCulloch

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

**Provision in the Bill:** Limits growth in fiscal 2021 rates paid to providers with rates set by the Interagency Rates Committee (IRC) to no more than 2.0% over the rates in effect on June 30, 2020.

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

**Type of Action:** Cost containment

**State Effect:** Limiting rates set by IRC to no more than 2.0% over the fiscal 2020 rates results in no direct savings in fiscal 2021. The fiscal 2021 budget provides funding for a 2.0% increase for providers whose rates are set by IRC, $3.1 million in DHS and $0.65 million in DJS.

**Local Effect:** None.

**Program Description:** IRC establishes rates for residential and 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 of Crime Prevention, Youth, and Victim Services.

**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 2015 level. Budget reconciliation legislation in 2017 and 2018 limited rate increases to 2.0% and 3.0%, respectively.

**Location of Provision in the Bill:** Section 9 (p. 66)

Analysis prepared by: Tonya D. Zimmerman and Nicholas J. Konzelman

**Transfer Fund Balance from the State Board of Physicians to the Loan Assistance Repayment Program**

**Provision in the Bill:** Authorizes the transfer of $400,000 from the balance in the State Board of Physicians Fund in the Maryland Department of Health to the Maryland Higher Education Commission (MHEC) for the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants (MLARP). The fiscal 2021 budget includes a $400,000 special fund appropriation to MLARP, contingent on the enactment of legislation authorizing the transfer.

**Agency:** Maryland Department of Health; Maryland Higher Education Commission

**Type of Action:** Change use of special funds

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| SF Exp | $0 | $0.4 | $0 | $0 | $0 | $0 |

**State Effect:** Special fund expenditures for MHEC increase by $400,000 in fiscal 2021. Overall, special fund revenues are not affected.

**Local Effect:** None.

**Program Description:** MLARP provides educational loan repayment funds to physicians, physician assistants, and medical residents who must serve a two-year obligation in a health professional shortage area or medically underserved area or State-designed health professional shortage area. The program is administered by MHEC.

**Recent History:** The State Board of Physicians (MBP) has traditionally budgeted and transferred funds to MHEC for the MLARP program. The amount of support varies year to year; in fiscal 2020, MBP provided $0.4 million for the program. The fiscal 2021 budget includes $0.8 million from MBP for MLARP, including the additional $0.4 million transferred by this provision. MBP closed fiscal 2019 with a fund balance of $6.1 million and is projected to have a closing fund balance of $6.3 million in fiscal 2020.

Separate provisions of this Act also impact MBP. Section 16 transfers $900,000 from the balance in the State Board of Physicians Fund to the general fund in fiscal 2021. Section 17 requires MBP to maintain licensing fees at a level no lower than was in effect on March 1, 2020, in fiscal 2021.

**Location of Provision in the Bill:** Section 10 (pp. 66-67)

Analysis prepared by: Andrew C. Garrison

**Transfer Dedicated Purpose Account Funds for Fiscal 2020 Program Open Space Replacement**

**Provision in the Bill:** Authorizes, for fiscal 2021 only, the Governor to transfer $43,860,950 from the balance in the Dedicated Purpose Account designated for Program Open Space (POS) repayment to the general fund.

**Agency:** State Reserve Fund; Department of Natural Resources; Department of Agriculture

**Type of Action:** Transfer

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $43.9 | $0 | $0 | $0 | $0 |
| SF Rev | $0 | ($43.9) | $0 | $0 | $0 | $0 |
| SF Exp | $0 | ($43.9) | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $43.9 million in fiscal 2021 due to the transfer. Special fund revenues to the POS fund and special fund expenditures from the POS fund decrease correspondingly. This assumes that the designated funding in the Dedicated Purpose Account, which has not been expended in fiscal 2020, would otherwise be expended in fiscal 2021 (since the authorization remains for three years).

**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 the Maryland Agricultural Land Preservation Foundation. Under this provision and the assumption above, in fiscal 2021, the local POS allocation decreases by $8.5 million and the Southern Maryland Agricultural Development Commission allocation for the purchase of agricultural easements by the counties in the Tri-County Council for Southern Maryland decreases by $999,000.

**Program Description:** The Dedicated Purpose Account serves as a place in the State budget to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain, or to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies.

**Recent History:** Chapter 565 of 2019 (the fiscal 2020 budget bill) included $43.9 million in the Dedicated Purpose Account for the purpose of repaying transfer tax funding transferred to the general fund in prior years. Chapter 565 specified the allocation of $43.9 million in transfer tax repayment funding and a provision in Chapter 16 of 2019 (Budget Reconciliation and Financing Act of 2019) authorized the funds to be transferred by budget amendment from the Dedicated Purpose Account for the purposes specified in the operating budget bill. A separate provision restructures and extends the transfer tax repayments to account for the missed payment in fiscal 2020.

**Location of Provision in the Bill:** Section 12 (p. 67)

Analysis prepared by: Andrew D. Gray

**Transfer Fiscal 2020 Dedicated Purpose Account Funds for the Pension Sweeper and Washington Metropolitan Area Transit Authority to the Annuity Bond Fund**

**Provision in the Bill:** Authorizes $12.0 million of the fiscal 2020 appropriation in the Dedicated Purpose Account provided for the Washington Metropolitan Area Transit Authority (WMATA) capital grant and $50.0 million of the fiscal 2020 appropriation in the Dedicated Purpose Account provided for the State Retirement and Pension System (SRPS) reinvestment contributions, but restricted for another purpose by the General Assembly, to be transferred to the Annuity Bond Fund (ABF) in fiscal 2020.

**Agency:** State Reserve Fund – Dedicated Purpose Account and Public Debt – Annuity Bond Fund

**Type of Action:** Transfer

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| SF Exp | $0 | ($62.0) | $0 | $0 | $0 | $0 |

**State Effect:** No net effect on special fund revenues, as discussed below. However, special fund expenditures totaling $62.0 million from the Dedicated Purpose Account – that were intended to be spent in fiscal 2020 as SRPS reinvestment contributions (pension sweeper) ($50.0 million) and WMATA ($12.0 million) appropriations – are not expended in fiscal 2021 either for their restricted purposes. This assumes that the designated funding in the Dedicated Purpose Account would otherwise be expended in fiscal 2021 (since the authorization remains for three years). Due to the required transfer, special fund revenues for ABF increase by $62.0 million in fiscal 2020, increasing its end-of-year fund balance; Dedicated Purpose Account revenues decrease correspondingly.

**Local Effect:** None.

**Program Description:** The Dedicated Purpose Account serves as a place in the State budget to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain, or to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies.

WMATA provides bus, rail, and paratransit service for the Washington, DC metropolitan area. Maryland contributes annual operating and capital support for WMATA through the Maryland Department of Transportation's Secretary's Office budget. Chapters 351 and 352 of 2018 required a new mandated $167.0 million annual dedicated capital grant for WMATA in addition to the capital grant already being provided.

The Budget Reconciliation and Financing Act 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 (referred to as the pension sweeper). Chapter 557 of 2017 required that the payments continue indefinitely beyond fiscal 2020, but also required that, beginning in fiscal 2021, they be evenly divided between the SRPS trust fund and the other postemployment benefits trust fund, up to the same combined total of $50.0 million.

ABF supports general obligation (GO) bond debt service costs. The fund's largest revenue source is the State property tax. The State also deposits bond sale premiums into ABF. Other revenue sources include interest and penalties on property taxes, and repayments for local bonds. General funds also subsidize debt service payments.

**Recent History:** The fiscal 2020 budget included $50.0 million in the Dedicated Purpose Account for the pension sweeper. The General Assembly added restrictive budget language to use the appropriation instead for public school construction and Department of Housing and Community Development (DHCD) capital projects. Similarly, the Administration also funded $125.0 million of the WMATA capital grant with general funds instead of Transportation Trust Fund revenues in fiscal 2020, of which the General Assembly restricted $12.0 million for the alternate purpose of funding DHCD capital projects. The Administration elected not to release withheld appropriations in fiscal 2020. Chapter 16 of 2019 included a provision prohibiting the transfer of funds from the State Reserve Fund except for specific purposes.

As introduced, the fiscal 2021 budget assumed that fiscal 2021 bond sales would generate $109.0 million in bond sale premiums to support GO bond debt service payments. Transferring $62.0 million into ABF provides additional funds for GO bond debt service costs, which enables premiums realized in fiscal 2021 to be authorized for use for capital budget projects. In a corresponding action in the Maryland Consolidated Capital Bond Loan of 2020, GO bond sale proceeds from anticipated bond sale premiums are authorized to support capital projects.

**Location of Provision in the Bill:** Section 13 (p. 67)

Analysis prepared by: Patrick S. Frank and Rebecca J. Ruff

**Require Transfer of Rainy Day Fund Balance to General Fund**

**Provision in the Bill:** Requires a transfer of $54.0 million from the Revenue Stabilization Account (Rainy Day Fund) to the general fund in fiscal 2021.

**Agency:** State Reserve Fund – Revenue Stabilization Account

**Type of Action:** Transfer

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $54.0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $54.0 million in fiscal 2021 as a result of the transfer.

**Local Effect:** None.

**Program Description:** The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Statute limits transfers from the fund and prohibits transferring funds by budget amendment.

**Recent History:** As introduced, the Governor's budget included a projected fiscal 2021 Rainy Day Fund ending balance of $1.2 billion, which was 6.25% of estimated fiscal 2021 general fund revenues, after accounting for a separate provision that would reduce the fiscal 2021 appropriation to the Fund by $284.4 million (Section 11). The Spending Affordability Committee recommended that the end-of-year fund balance be at least 6.0% of revenues.

In addition to these two provisions, several actions have been taken to authorize transfers from the Rainy Day Fund to support State government costs associated with the Coronavirus 2019 (COVID-19). Section 25 of this Act authorizes a transfer of $100.0 million, while Chapter 12 of 2020 authorizes a transfer of $50.0 million. Governor Hogan has (through March 30, 2020) requested transfers of $157.0 million through two budget amendments from the Rainy Day Fund for costs associated with COVID-19, including grants and loans to support small businesses, a layoff aversion fund, incentives for manufacturers to produce personal protective equipment, child care for essential personnel, and emergency preparedness activities.

**Location of Provision in the Bill:** Section 14 (p. 67)

Analysis prepared by: Rebecca J. Ruff

## Transfer State Board of Pharmacy Fund Balance to Medicaid

**Provision in the Bill:** Authorizes the transfer of $750,000 from the balance in the State Board of Pharmacy Fund in fiscal 2021 and 2022 to Medicaid to provide support to certain small, rural pharmacies to facilitate access to prescriptions. The fiscal 2021 budget includes a general fund reduction of $750,000, contingent on the enactment of legislation authorizing a transfer from the State Board of Pharmacy Fund.

**Agency:** Maryland Department of Health (MDH)

**Type of Action:** Fund swap; Change use of special funds

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp | $0 | ($0.75) | ($0.75) | $0 | $0 | $0 |
| SF Exp | 0 | 0.75 | 0.75 | 0 | 0 | 0 |

**State Effect:** General fund expenditures in Medicaid decrease by $750,000 in fiscal 2021 and 2022 due to the use of special funds from the balance in the State Board of Pharmacy Fund to support access to small, rural pharmacies. Special fund expenditures in Medicaid increase correspondingly.

**Local Effect:** None.

**Program Description/Recent History:** The State Board of Pharmacy Fund had a closing fund balance of approximately $3.2 million in fiscal 2019. The fiscal 2020 closing fund balance is projected to be approximately the same level. This fund balance is well in excess of levels needed to account for uncertainties in expenditures.

The fiscal 2021 budget includes $3.0 million ($1.5 million in general funds and $1.5 million in federal funds, contingent on approval from the Centers for Medicare and Medicaid Services) to support access to small, rural pharmacies participating in the Medicaid program. An additional $5.00 fee will be provided for every prescription dispensed to Medicaid HealthChoice enrollees by certain small pharmacies in less populated areas. Small pharmacies are defined as having three or fewer stores.

**Location of Provision in the Bill:** Section 15 (p. 67)

Analysis prepared by: Andrew C. Garrison and Simon G. Powell

**Transfer State Board of Physician Fund Balance to the General Fund**

**Provision in the Bill:** Authorizes the transfer of $900,000 from the balance in the State Board of Physicians Fund to the general fund in fiscal 2021.

**Agency:** Maryland Department of Health

**Type of Action:** Transfer

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Rev | $0 | $0.9 | $0 | $0 | $0 | $0 |

**State Effect:** General fund revenues increase by $900,000 in fiscal 2021.

**Local Effect:** None.

**Program Description/Recent History:** The State Board of Physicians is estimated to have a fund balance of $6.3 million at the end of fiscal 2020, well in excess of levels needed to account for uncertainties in expenditures.

The State Board of Physicians Fund is impacted by two other provisions in this Act. Section 10 authorizes a transfer of an additional $400,000 from the fund balance to the Maryland Loan Assistance Repayment Program for Physicians and Physicians Assistants, beyond the $400,000 otherwise budgeted for that purpose. In addition, Section 17 prohibits the board, in fiscal 2021, from having licensing fees set below the level in effect on March 1, 2020.

**Location of Provision in the Bill:** Section 16 (pp. 67-68)

Analysis prepared by: Andrew C. Garrison

**Withdraw Unspent Fiscal 2020 Funds for Premium Subsidy Payments**

**Provision in the Bill:** Reduce the fiscal 2020 general fund appropriation for premium subsidy payments for the federal Dairy Margin Coverage Program (DMCP) in the Maryland Department of Agriculture's (MDA) Marketing and Agriculture Development program by $216,253.

**Agency:** Maryland Department of Agriculture

**Type of Action:** Cost containment

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Exp | ($0.2) | $0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures for MDA decrease by $216,253 in fiscal 2020.

**Local Effect:** None.

**Program Description/Recent History:** DMCP offers protection for dairy farmers when the margin between milk and feed prices falls below a specified threshold. Supplemental Budget No. 1 to the fiscal 2020 budget includes a $1.5 million general fund appropriation in the MDA Marketing and Agriculture Development program to fund premium subsidy payments for DMCP. The funding is intended to subsidize dairy farmer participation in the program, given rising feed costs and declining milk prices; however, the funding is not expected to be fully utilized. The calendar 2019 subsidy retroactively provided to dairy farmers is $687,362, and the calendar 2020 subsidy is $586,385. As a result, only $1,273,747 of the $1.5 million general fund appropriation will be used in fiscal 2020, leaving $226,253 unused. Leaving a portion of the unused appropriation – $10,000 – accounts for any remaining subsidy payments that may be needed.

**Location of Provision(s) in the Bill:** Section 18 (p. 68)

Analysis prepared by: Andrew D. Gray

## Withdraw Unspent Fiscal 2020 Funds for the Administrative Services Organization Contract in the Behavioral Health Administration

**Provision in the Bill:** Reduces the fiscal 2020 general and federal fund appropriations for the new Administrative Services Organization (ASO) contract in the Behavioral Health Administration (BHA) by a total of $575,000, based on provisions allowing for the imposition of liquidated damages.

**Agency:** Maryland Department of Health (MDH)

**Type of Action:** Cost containment

| **Fiscal Impact** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Exp | ($0.29) | $0 | $0 | $0 | $0 | $0 |
| FF Exp | (0.29) | 0 | 0 | 0 | 0 | 0 |
| FF Rev | (0.29) | 0 | 0 | 0 | 0 | 0 |

**State Effect:** BHA general fund expenditures decrease by $287,500 due to anticipated damages paid by the contractor. Federal fund revenues and expenditures from Medicaid decrease correspondingly for the federal reimbursement of these expenses.

**Local Effect:** None.

**Program Description/Recent History:** On July 24, 2019, the Board of Public Works approved a contract for an ASO to process and pay provider claims from January 1, 2020, through calendar 2024 with a two-year renewal option to extend the contract through calendar 2026. Shortly after the new ASO took over claims processing in January 2020, providers started to report substantial difficulties. As a result, MDH was required to have the ASO estimate payments to providers rather than use actual claims and anticipated needing to do so until April 20, 2020. The contract outlines terms for liquated damages stating that, "If the Contractor does not meet the Go-Live date, the Contractor shall, in lieu of actual damages pay MDH as fixed, agreed, and liquated damages in the amount of $25,000 per calendar day for the Go-Live date until the Contractor becomes operational…," Based on these terms, through January 23, 2020, the estimate of liquidated damages totaled $575,000.

**Location of Provision in the Bill:** Section 19 (p. 68)

Analysis prepared by: Andrew C. Garrison

**Withdraw Unspent Fiscal 2020 Funds for Concentration of Poverty Grants**

**Provision in the Bill:** Reduces the fiscal 2020 special fund appropriation from The Blueprint for Maryland's Future Fund for the Concentration of Poverty Grant by $5,971,992.

**Agency:** Maryland State Department of Education (MSDE)

**Type of Action:** Cost containment

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| SF Exp | ($6.0) | $0 | $0 | $0 | $0 | $0 |

**State Effect:** Special fund expenditures for MSDE decrease by $5,971,992 in fiscal 2020.

**Local Effect:** None; the funds are not needed to meet State grant funding obligations to local school boards, as discussed below.

**Program Description:** Chapter 771 of 2019 (The Blueprint for Maryland's Future) established the Concentration of Poverty School Grant Program to provide grants to public schools in which at least 80% of the students were eligible for both free and reduced-price meals. For both fiscal 2020 and 2021, the State is required to distribute a grant to each local school board equal to $248,833 for each existing eligible school, which must then be distributed by the local board to each eligible school.

The Blueprint for Maryland's Future Fund may only be used to assist in providing adequate funding for early childhood education and primary and secondary education based on the recommendations of the Commission on Innovation and Excellence in Education (Kirwan Commission), including revised education funding formulas. The fund consists of remaining fiscal 2019 income tax funds dedicated to the Kirwan Commission recommendations, any sales and use tax revenues in excess of $100 million each year collected by the Comptroller from marketplace facilitators and certain out-of-state vendors, and any fiscal 2021 filing fees from corporations and business entities in excess of $62.25 million. The fund is expected to collect $103.0 million in new revenue in fiscal 2021.

**Recent History:** In a recent survey of local education agencies (LEAs), LEAs reported fewer schools receiving concentration of poverty grants than initially anticipated in the budget; a number of schools that were initially found to be eligible for grants were programs within schools, rather than separate schools, or had subsequently closed.

**Location of Provision in the Bill:** Section 20 (p. 68)

Analysis prepared by: Laura H. Hyde

**Withdraw Unspent Fiscal 2020 Funds for the Maryland Community College Promise Scholarship**

**Provision in the Bill:** Reduces the fiscal 2020 general fund appropriation for the Maryland Community College Promise Scholarship Program by $3.0 million.

**Agency:** Maryland Higher Education Commission (MHEC)

**Type of Action:** Cost containment

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp | ($3.0) | $0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures for MHEC decrease by $3.0 million in fiscal 2020.

**Local Effect:** None.

**Program Description:** The Maryland Community College Promise Scholarship, created by Chapter 554 of 2018, is a last-dollar scholarship available to Maryland students attending a community college and covers costs not met by any other student financial aid, excluding loans. The scholarship became available to applicants beginning in the 2019-2020 academic year.

**Recent History:** Chapter 554 requires the Governor to annually appropriate at least $15.0 million for the program beginning in fiscal 2020, and the program was funded at the minimum level that year. The fiscal 2021 budget assumes a fiscal 2020 reversion of $8.0 million in unneeded funding for the program; however, based on actual program activity, the program requires only $4.0 million to provide scholarships in fiscal 2020. This allows for a further reduction of $3.0 million by this provision and makes the total reversion $11.0 million.

**Location of Provision in the Bill:** Section 21 (p. 68)

Analysis prepared by: Sara J. Baker

**Withdraw Unspent Fiscal 2020 Funds for Personnel Spending in the Department of Public Safety and Correctional Services**

**Provision in the Bill:** Reduces the fiscal 2020 general fund appropriation for personnel in the Department of Public Safety and Correctional Services (DPSCS) by $2.5 million.

**Agency:** Department of Public Safety and Correctional Services

**Type of Action:** Cost containment

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp. | ($2.5) | $0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures for DPSCS decrease by $2.5 million in fiscal 2020.

**Local Effect:** None.

**Program Description/Recent History:** DPSCS has struggled to maintain a full staffing complement since fiscal 2015. In January 2020, vacant positions in DPSCS totaled 2,179, or 21.5%, of authorized positions. In fiscal 2020, the DPSCS personnel complement is overfunded by approximately 435 positions. Based on fiscal 2020 payroll data, an estimated $9.0 million of budgeted funds will not be needed for personnel due to high attrition and low hiring. In addition, the fiscal 2021 budget assumes that $7.0 million in personnel funds restricted in the fiscal 2020 budget for the purpose of providing correctional officer salary increases will revert to the general fund at the end of the fiscal year.

DPSCS has used large vacancy savings in past years to support other initiatives, such as facility renovations, information technology equipment, emergency needs, and steep overtime costs. The practice of allocating more personnel funds than needed and transferring the excess to priority areas via budget amendment impedes public accountability and budget committee oversight. The Budget Reconciliation and Financing Act of 2019 reduced the fiscal 2019 general fund appropriation for personnel in DPSCS by $7.5 million based on vacancy data. A fiscal 2019 budget amendment realigned an additional $15.0 million in excess personnel savings to other areas of spending.

**Location of Provision in the Bill:** Section 22 (p. 68)

Analysis prepared by: Jacob C. Cash

**Withdraw Unspent Fiscal 2020 Funds for Agency Election Management System**

**Provision in the Bill:** Reduces the unexpended fiscal 2020 general and special fund appropriations for the Agency Election Management System by a total of $468,775: $234,388 in special funds for the State Board of Elections (SBE) and $234,387 in general funds for the Department of Information Technology's (DoIT) Major Information Technology Development Project Fund (MITDPF).

**Agency:** State Board of Elections; Department of Information Technology

**Type of Action:** Cost containment

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| SF Rev | ($0.2) | $0 | $0 | $0 | $0 | $0 |
| ReimB. Rev | ($0.2) | $0 | $0 | $0 | $0 | $0 |
| GF Exp | ($0.2) | $0 | $0 | $0 | $0 | $0 |
| SF Exp | ($0.2) | $0 | $0 | $0 | $0 | $0 |
| ReimB. Exp | ($0.2) | $0 | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures for MITDPF (DoIT) decrease by $234,387 in fiscal 2020; reimbursable revenues and expenditures for SBE decrease by an equivalent amount. Special fund revenues and expenditures for SBE decrease by $234,388 in fiscal 2020, which reflects a reduction in SBE's receipt and spending of local government funds.

**Local Effect:** Local government expenditures decrease by a total of $234,388 in fiscal 2020. SBE's fiscal 2020 special fund appropriation for the project, which is reduced by the provision, is funded by local government contributions.

**Program Description:** The Agency Election Management System, a major information technology (IT) development project of SBE, will perform essential election functions such as ballot definition, election result reporting, and post-election documentation.

MITDPF is a nonlapsing fund administered by DoIT that supports large IT initiatives. General funds appropriated for major IT development projects are budgeted within the fund. Agencies receive and spend these funds as reimbursable funds.

**Location of Provision in the Bill:** Section 24 (p. 69)

Analysis prepared by: Grace M. Pedersen

## Alter Distribution of Funding Under the HealthChoice Value-based Purchasing Program

**Provisions in the Bill:** Alter the distribution of payments collected under the Medicaid value-based purchasing (VBP) program, limit the amount of incentive payments that may be provided to the level of penalties received or funding allocated to the program, and specify how any surplus funding collected under the program can be allocated and used. The specified distribution includes a reserve fund and reinvestments into HealthChoice health improvement projects.

**Agency:** Maryland Department of Health (MDH)

**Type of Action:** Miscellaneous

**State Effect:** General fund expenditures are potentially reduced beginning as early as fiscal 2022 to the extent that the program would have required additional general funds to cover program payments in years in which the earned incentives are greater than the penalties collected and due to the creation of a reserve fund.

**Local Effect:** None.

**Program Description:** VBP is a pay-for-performance effort within Medicaid's mandatory managed care program, HealthChoice. VBP has the goal of improving managed care organization (MCO) performance by providing monetary incentives and disincentives up to 1.0% of each MCO's total capitated payments based on performance in certain health care measures identified by MDH.

**Recent History:** Under VBP, MCOs with scores exceeding the target receive an incentive payment, while MCOs with scores below the target pay a penalty. The program also includes a midrange target for which an MCO receives no incentive payment but neither does it pay a penalty. Penalty payments are used to fund incentive payments. If collected penalties exceed incentive payments, the surplus is distributed in the form of a bonus to the four highest performing MCOs using normalized scores and relative enrollment. In recent years, this secondary distribution has resulted in the perverse result that an MCO with more disincentives than incentives on VBP targets can still benefit as one of the "top four" performers. If collected penalties do not exceed incentive payments, general funds are required to meet obligations under the program.

**Location of Provisions in the Bill:** Section 5 (p. 9) and Section 6 (pp. 33-36)

Analysis prepared by: Simon G. Powell

**Alter MARBIDCO Mandate and Specify Distribution**

**Provisions in the Bill:** Reduce the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) funding mandate from $2,875,000 to $2,735,000 in fiscal 2022 through 2024. Extend the mandate to fiscal 2025 at $2,735,000. Specify the use of the mandated funding, from fiscal 2022 through 2025, to support MARBIDCO's rural business loan programs and small matching grant programs. Contingent on the taking effect of Chapter ___ (Senate Bill 985/House Bill 1488) of 2020 (which establishes a Certified Local Farm Enterprise Program), further specify the use of the mandated funding, from fiscal 2022 through 2025, to provide:

- $2,300,000 to support MARBIDCO's rural business loan programs and small matching grant programs; and
- $435,000 to make grants and near-equity investments to (1) support the creation or expansion of agricultural product aggregation and storage sites and (2) facilitate participation in the Certified Local Farm Enterprise Program.

Require MARBIDCO to be self-sufficient by fiscal 2026, rather than fiscal 2025.

**Agency:** Maryland Agricultural and Resource-Based Industry Development Corporation

**Type of Action:** Miscellaneous

| **Fiscal Impact:** | *($ in millions)* **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | $0 | ($0.1) | ($0.1) | ($0.1) | $2.7 |

**State Effect:** General fund expenditures for MARBIDCO decrease by $140,000 in fiscal 2022 through 2024 and increase by $2,735,000 in fiscal 2025.

**Local Effect:** Local government finances are not materially affected.

**Program Description:** MARBIDCO, established under Chapter 467 of 2004, is a public corporation and instrumentality of the State helping Maryland's farm, forestry, seafood, and related rural businesses to achieve profitability and sustainability. MARBIDCO's programs fall into three broad categories: (1) its "core programs" – the rural business loan programs and small matching grant programs referred to in the bill; (2) the Next Generation Farmland Acquisition Program; and (3) specialty loan programs (funded by partnering organizations for targeted purposes).

**Recent History:** Chapter 289 of 2006 first mandated rural business development and assistance funding for MARBIDCO, mandating that $3.0 million be provided in fiscal 2008, $3.5 million in fiscal 2009, and $4.0 million in fiscal 2010 and each fiscal year thereafter, through fiscal 2020. Multiple adjustments have since been made to the mandated amounts, and the funding has been extended to additional fiscal years, through budget reconciliation legislation. Most recently, Chapter 489 of 2015 reduced the mandated funding amounts for fiscal 2016 through 2021 from $4,000,000 to $2,875,000 and extended the mandated funding through fiscal 2024, at $2,875,000 per fiscal year.

**Location of Provisions in the Bill:** Section 6 (p. 16); Section 7 (p. 63); and Section 27 (p. 70)

Analysis prepared by: Scott D. Kennedy

## Transfer Fiscal Agent of Children's Cabinet Interagency Fund

**Provisions in the Bill:** Transfer the role of fiscal agent of the Children's Cabinet Interagency Fund (CCIF) and its associated appropriation from the Maryland State Department of Education (MSDE) to the Governor's Office of Crime Prevention, Youth, and Victim Services, to conform to the current division of responsibilities.

**Agency:** Maryland State Department of Education; Governor's Office of Crime Prevention, Youth, and Victim Services

**Type of Action:** Miscellaneous

**State Effect:** No net impact on State finances; however, general fund and reimbursable fund expenditures are reallocated from MSDE to the office beginning in fiscal 2021. The fiscal 2021 budget includes $23.8 million for CCIF: $22.0 million in general funds and $1.8 million in reimbursable funds. To the extent that funding for CCIF is greater or less than that amount in future years, expenditures for MSDE/the office decrease/increase correspondingly.

**Local Effect:** None.

**Program Description/Recent History:** CCIF supports children and family programs that reflect the priorities of the Governor and Children's Cabinet. Among other things, CCIF funds grants to local management boards in accordance with the priorities, policies, and procedures adopted by the Children's Cabinet. CCIF has historically been budgeted within MSDE, the designated fiscal agent of the fund; however, the office has advised that MSDE's current role as the designated fiscal agent of CCIF is purely technical. The office's Children and Youth Division staffs the Children's Cabinet, which oversees the allocation of CCIF. The division is responsible for developing the notification of funding availability documents for CCIF grants and also reviews, approves, and monitors grant allocations from the fund.

**Location of Provisions in the Bill:** Section 6 (pp. 17 and 37)

Analysis prepared by: Nicholas J. Konzelman

**Authorize the Use of Capital Funds for Community College Facilities Renewal Fund**

**Provision in the Bill:** Authorizes mandated funding for the Community College Facilities Renewal Program (CCRFP) to be provided in the operating or capital budget, rather than only the operating budget, beginning in fiscal 2022.

**Agency:** Maryland Higher Education Commission (MHEC)

**Type of Action:** Miscellaneous

**State Effect:** Beginning in fiscal 2022, general fund pay-as-you-go expenditures potentially decrease by as much as $4.0 million (the level of mandated funding anticipated in the 2020 *Capital Improvement Program* for fiscal 2022 through 2025) in any year in which the Governor chooses to fund the program with general obligation (GO) bond funds. GO bond funding for the program increases accordingly. Providing funding through GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects.

**Local Effect:** None.

**Program Description:** Established by Chapters 687 and 688 of 2018, CCRFP provides grants for eligible facility renewal projects at Maryland's 16 community colleges, including Baltimore City Community College. MHEC administers the program. The non-matching fund grants provided by the program are in addition to, and may not supplant, funds provided by the Community College Construction Grant Program (CCCGP). The Governor must annually fund the program in the operating budget at an amount equal to 5.0% of the appropriation for CCCGP.

**Recent History:** The fiscal 2021 budget includes a $4.0 million general fund appropriation for CCRFP. The Maryland Consolidated Capital Bond Loan (MCCBL) of 2020 does not authorize GO bond expenditures for the program. As introduced, the Governor proposed to fund the program in fiscal 2021 in the MCCBL of 2020 in lieu of general funds.

**Location of Provision in the Bill:** Section 6 (p. 25)

Analysis prepared by: Caleb E. Weiss

**Limit the Maryland 529 State Funding Match Program Allocation per Beneficiary**

**Provisions in the Bill:** Prohibit a qualified beneficiary under the Maryland Senator Edward J. Kasemeyer College Investment Plan from receiving more than two State matching contributions per year through the Save4College State Contribution Program, beginning in 2021, and authorize the Maryland 529 Board to adopt regulations necessary to carry out the provision.

**Agency:** Maryland Higher Education Commission (MHEC)

**Type of Action:** Miscellaneous

**State Effect:** General fund expenditures for MHEC may decrease beginning in fiscal 2022, based on the timing of the application and grant process. The reduction, if any, depends on program demand. The Governor must provide at least $3.0 million for matching contributions each fiscal year. If program demand exceeds program funding in a particular fiscal year, the bill's limitation on State matches does not affect general fund expenditures – it merely reprioritizes them among eligible beneficiaries. If, however, program funding exceeds program demand (or the program receives a deficiency appropriation to meet experienced demand), general fund expenditures decrease due to the bill's limitation on State matches per beneficiary each year.

**Local Effect:** None.

**Program Description:** Chapters 689 and 690 of 2016 established an annual State matching contribution of $250 per beneficiary for new accounts in the Maryland Senator Edward J. Kasemeyer College Investment Plan, which is administered by Maryland 529. The program is implemented as the Save4College program. Chapter 419 of 2018 increased the State matching contribution from $250 to $500 for specified 529 investment account holders, extended the eligible contribution period, and made additional related changes. The Acts also require the Governor to allocate at least $3.0 million annually for the Save4College program.

**Recent History:** The State match program has grown substantially over time, increasing from $472,250 in fiscal 2018 to $6,326,500 in fiscal 2019 and $10,067,500 in fiscal 2020. The fiscal 2021 budget contains funding equivalent to the fiscal 2020 level.

The lack of a clear limit on the number of matching contributions that a single beneficiary may receive in a single year has led to some account holders establishing multiple accounts and receiving thousands of dollars in contributions. Maryland 529 has interpreted each individual account to constitute a new beneficiary claim. As a result, some beneficiaries have received multiple matching awards – one for each individual account opened for that beneficiary. In an extreme instance, one family opened 195 accounts for four children and received a total of $97,500 in matching contributions (instead of $2,000).

**Location of Provisions in the Bill:** Section 6 (pp. 28-29)

Analysis prepared by: Ian M. Klein

**Require Provision of Certain Data Related to Counting of Prisoner Population**

**Provisions in the Bill:** Require the Department of Public Safety and Correctional Services (DPSCS) to provide to the Maryland Department of Planning (MDP) and the Department of Legislative Services (DLS) specified identifiable information about incarcerated individuals by October 31 in the year of each decennial census for purposes of adjusting census data used for congressional and legislative redistricting. Require MDP and DLS to enter into a memorandum of understanding by August 1 in the year of each decennial census, under which MDP and DLS must work collaboratively to adjust the census data using the geocoded database created by MDP, as specified, and jointly certify the adjusted census data to be used for congressional and legislative redistricting by March 15 of the following year.

**Agency:** Maryland Department of Planning; Department of Legislative Services; Department of Public Safety and Correctional Services

**Type of Action:** Administrative

**State Effect:** The provisions generally codify recent practice following the last decennial census. However, to the extent that the provisions result in increased data-sharing between MDP and DLS, they result in general fund cost avoidance for DLS in fiscal 2021, which would otherwise incur contractual and/or legal costs of at least $150,000 to create its own geocoded database to fulfill its obligations during the redistricting process.

**Local Effect:** None.

**Program Description/Recent History:** Pursuant to Chapters 66 and 67 of 2010, population counts used after each decennial census for the purpose of redistricting congressional and State legislative districts may not include individuals who were incarcerated in State or federal correctional facilities (as determined by the decennial census) and were not residents of the State before their incarceration. Individuals who were residents of the State before incarceration in the State or federal correctional facilities must be counted at their last known residence. Implementation of Chapters 66 and 67 includes (1) geocoding tens of thousands of prisoner address files in coordination with DPSCS; (2) updating census data; and (3) incorporating the adjusted data into the software used to complete maps. Maryland regulations (COMAR 34.05.01) establish requirements and procedures related to the geocoding process.

**Additional Comments:** As discussed above, the provisions require MDP and DLS to jointly certify the adjusted census data to be used for congressional and legislative redistricting by March 15 in the year following each decennial census. The State receives the required census tract data from the U.S. Census Bureau in February or as late as

March of the same year. MDP anticipates that it will be able to complete the geocoding process within one month of receiving the census data.

**Location of Provisions in the Bill:** Section 6 (pp. 30-31; 49-51)

Analysis prepared by: Elizabeth J. Allison and Thomas S. Elder

**Require Uninsured Employers' Fund to Spend Only Through an Appropriation**

**Provision in the Bill:** Prohibits, beginning in fiscal 2021, the Uninsured Employers' Fund (UEF) from expending any money for administrative expenses from the fund without an appropriation.

**Agency:** Uninsured Employers' Fund

**Type of Action:** Miscellaneous

**State Effect:** No net effect on UEF expenditures; however, there is a change in the accounting for spending compared to current practice. Special fund expenditures (budgeted) for UEF increase by $3.2 million in fiscal 2021 based on the costs in that year for an approved third-party administrator contract, while expenditures that are not included in the budget decrease correspondingly. Future year expenditures accounted for in the budget reflect ongoing estimated contract costs of $3.3 million or more.

**Local Effect:** None.

**Program Description:** UEF protects workers whose employers are not insured under the Maryland Workers' Compensation Law. The cost to administer the fund and provide benefits to claimants is wholly specially funded. The special funds are derived from an assessment, which is currently 2%, on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements. UEF also collects penalties from sanctions on uninsured employers and recovers benefits paid out for uninsured claims.

**Recent History:** The 2019 *Joint Chairmen's Report* included committee narrative requesting that UEF discontinue its practice of not budgeting the funds that it uses to pay CorVel, its third-party administrator. The contract was awarded in June 2019. The fiscal 2021 budget does not include funds for this contract. A budget amendment has been submitted to increase the fiscal 2020 appropriation to account for this contract.

**Location of Provision in the Bill:** Section 6 (pp. 40-41)

Analysis prepared by: Jason A. Kramer

**Prohibit Restoration of an Item Specifically Reduced by General Assembly**

**Provision in the Bill:** Prohibits, by the budget amendment process or otherwise, the restoration of any item specifically deleted or reduced by the General Assembly for the same purpose as originally proposed unless the language deleting or reducing the appropriation expressly authorizes the restoration of funds.

**Agency:** Department of Budget and Management

**Type of Action:** Miscellaneous

**State Effect:** No net impact on State finances. Transfers that would occur in the absence of the provision via budget amendment or otherwise to replace funding deleted or reduced by the General Assembly are precluded unless expressly authorized by the General Assembly.

**Local Effect:** None.

**Program Description/Recent History:** Annual budget bill language generally prohibits a budget amendment from restoring special, federal, or higher education fund appropriations for items or purposes specifically denied by the General Assembly unless permitted by the budget bill or the accompanying supporting documentation or by any other authorizing legislation. This language does not prohibit the restoration of funds reduced by the General Assembly using other fund sources, such as funding from the Contingency Fund.

Pursuant to § 3-216 of the Transportation Article, a proposed appropriation for any unit within the Maryland Department of Transportation or any designated transportation activity, function, or undertaking that has been reduced by the General Assembly may not, except in an emergency, be restored for the same purpose as originally proposed, by the budget amendment process or otherwise, if the General Assembly specifically prohibited its restoration. However, except for emergency capital projects, if the General Assembly explicitly reduces a proposed appropriation for a major transportation capital project, the appropriation may not be restored unless the General Assembly expressly authorized the restoration, as specified.

**Location of Provision in the Bill:** Section 6 (p. 42)

Analysis prepared by: Anne P. Wagner

**Require Certain Information in Budget Books to Instead Be Provided Electronically**

**Provision in the Bill:** Repeals a requirement that specified salary detail and Managing for Results submissions be included in the annual budget books and instead requires that this information, and the remaining required information in the budget books, be provided on the Department of Budget and Management's (DBM) website simultaneously with the submission of the annual State budget.

**Agency:** Department of Budget and Management

**Type of Action:** Administrative

**State Effect:** General fund expenditures for DBM decrease minimally beginning in fiscal 2021. DBM can publish the required information on its website with existing resources.

**Local Effect:** None.

**Program Description:** On submission of the budget bill, the Governor must provide a variety of supporting materials, including budget, personnel, and agency performance data, in printed budget books and on DBM's website.

**Recent History:** The Budget Reconciliation and Financing Act of 2017 clarified and specified the information that DBM must publish in the annual budget books and required DBM to publish information included in the budget books on its website.

**Location of Provision in the Bill:** Section 6 (pp. 42-44)

Analysis prepared by: Anne P. Wagner

**Increase COLA from Fiscal Responsibility Fund for Certain Employees and Establish Priority for Distribution**

**Provisions in the Bill:** Increase the potential cost-of-living adjustment (COLA) in fiscal 2021 that is funded from the Fiscal Responsibility Fund from up to 2.0% to up to 3.0% for employees represented by the American Federation of State, County, and Municipal Employees (AFSCME), AFL-CIO, excluding a unit represented by AFSCME, AFL-CIO Local 1859. Establish a prioritization of the COLA funded with the Fiscal Responsibility Fund (if funds are realized), with first priority given to an up to 1.0% COLA increase for AFSCME members, and then up to a 2.0% COLA proportionally for employees represented by AFSCME; AFT Healthcare-Maryland, AFL-CIO Local 5197; and the Maryland Professional Employees Council (MPEC)/AFT-AFL-CIO Local 6197. Previously, employees of all three unions would have received a 2.0% COLA in fiscal 2021 funded by the Fiscal Responsibility Fund (if funds were realized).

**Agency:** Statewide

**Type of Action:** Administrative

**State Effect:** The impact of these provisions is dependent on the actual fiscal 2020 nonwithholding income tax revenues that exceed the capped estimate and are not needed to close a general fund revenue shortfall.

To the extent that revenues exceed the capped estimate by a sufficient amount to provide the full amount of COLA for employees represented by all three unions, fiscal 2021 special fund expenditures from the Fiscal Responsibility Fund increase by as much as $11.0 million in fiscal 2021 to provide an additional 1.0% COLA for employees represented by AFSCME. State expenditures (all funds) increase by up to $11.3 million in fiscal 2022, $11.5 million in fiscal 2023, $11.8 million in fiscal 2024, $12.1 million in fiscal 2025, and $12.4 million in fiscal 2026 reflecting the cumulative impact of future COLAs for State workers. The additional expenditures are composed of approximately 60% general funds, 20% special funds, and 20% federal funds. The distribution of the remaining up to 2.0% COLA to the three unions has no impact as this level of COLA is already established in statute.

**Local Effect:** None.

**Program Description:** Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceeds the 10-year average. If nonwithholding revenues, as a percentage of general fund revenues, are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the Acts specify how the excess revenues are to be allocated.

Chapters 4 and 550 of 2017 require that excess revenues that are not needed to close a shortfall in general fund revenues be allocated to the Rainy Day Fund until the balance in the fund reaches 6.0% of general fund revenues. Once the Rainy Day Fund balance reaches 6.0%, excess revenues are split evenly between the Rainy Day Fund and the Fiscal Responsibility Fund.

The Fiscal Responsibility Fund was established to hold the amount of nonwithholding income tax revenues that exceed a capped estimate. The funds are to be used only to provide pay-as-you-go capital funds for (1) public school construction and public school capital improvement projects; (2) capital projects at public community colleges; and (3) capital projects at four-year public institutions of higher education. The funds are required to be appropriated in the second following fiscal year.

**Recent History:** Chapters 4 and 550 originally limited the amount of capped revenue to 2.0% of general fund revenues beginning in fiscal 2020. Chapter 10 of 2018 phased in the cap over three years, with no more than 0.5% of projected general fund revenues subject to the cap in fiscal 2020. Chapter 16 of 2019 (the Budget Reconciliation and Financing Act of 2019) scaled back the cap in fiscal 2020 to 0.225% of projected general fund revenues.

In addition, Chapter 16 altered the allocation of nonwithholding income tax revenues that exceed the cap and are not needed to close any shortfall in general fund revenues to assign, for fiscal 2021 only, all of the funds to the Fiscal Responsibility Fund. Chapter 16 also altered the use of the Fiscal Responsibility Fund to provide for up to a 2.0% COLA for certain employees in fiscal 2021. The COLA was to be effective July 1, 2020, and the funds were to be appropriated in the 2021 session for fiscal 2021. The provision applies to State employees with membership in the following collective bargaining units: (1) AFSCME, AFL-CIO, excluding a unit represented by AFSCME, AFL-CIO Local 1859; (2) AFT Healthcare-Maryland, AFL-CIO Local 5197; and (3) MPEC/AFT-AFL-CIO Local 6197. The unions included in this provision represent approximately 33,400 members within the Executive Branch (including higher education): (1) AFSCME – approximately 27,000 members; (2) MPEC – approximately 5,100 members; and (3) AFT-Healthcare – approximately 1,300 members.

Employees represented by AFSCME did not receive a 1.0% COLA provided to all other State employees on January 1, 2020, in fiscal 2020.

A separate provision of this bill would set the cap at $0 in fiscal 2021 and $80.0 million in fiscal 2022 and then increase the amount by $20.0 million per year until fiscal 2026, when the cap would reach 2.0% of general fund revenues.

**Location of Provisions in the Bill:** Section 6 (pp. 45-49)

Analysis prepared by: Jason A. Kramer

**Require Distribution of Electronic Bingo and Electronic Tip Jar Tax Revenue in Calvert County to Occur through an Appropriation**

**Provision in the Bill:** Requires specified grants from proceeds of the State admission and amusement tax on electronic bingo and electronic tip jars in Calvert County to be provided through an appropriation in the annual State budget under Payments to Civil Divisions of the State.

**Agency:** Comptroller of Maryland

**Type of Action:** Miscellaneous

**State Effect:** None. The provision is procedural in nature. The required distributions are included in the fiscal 2021 budget for Payments to Civil Divisions of the State, as discussed below.

**Local Effect:** None.

**Program Description:** State law requires a portion of revenue from the State admissions and amusement tax on electronic bingo and electronic tip jars in Calvert County to be distributed to the towns of North Beach and Chesapeake Beach, the Calvert County Youth Recreational Opportunities Fund, and the Boys and Girls Club of the Town of North Beach. In fiscal 2021, these grants total $1.22 million in special funds.

**Recent History:** Prior to fiscal 2018, these grants were not budgeted and were instead distributed directly via revenue transfer by the Comptroller without an appropriation. Since fiscal 2018, the funds have been budgeted under Payments to Civil Divisions of the State. The budgeting of these payments reflects guidance from the Office of the Attorney General that distribution of State funds should occur through an appropriation. However, the Comptroller has continued to disburse the funds via direct revenue transfer outside of the appropriation. As a result, the fiscal 2019 closeout report from the Department of Budget and Management shows the $1.2 million special fund appropriation as unspent, even though the funds were provided to the statutory recipients.

**Location of Provisions in the Bill:** Section 6 (p. 51)

Analysis prepared by: Samuel M. Quist

**Alter Property Tax Assessment Rate for Country Clubs and Golf Courses**

**Provisions in the Bill:** Alter the special use assessment for country clubs and golf courses that enter into or extend the term of a specified agreement with the State Department of Assessments and Taxation (SDAT) on or after June 1, 2020. The assessment increases from $1,000 per acre to the lesser of market value *or* $2,000 per acre (year 1), $3,500 per acre (year 2), and $5,000 per acre (year 3). Beginning in the fourth year of the agreement or the extended term, the annual per acre assessment increases by a specified percentage based on a calculated assessment rate index.

**Agency:** State Department of Assessments and Taxation

**Type of Action:** Administrative; Revenue action

**State Effect:** Special fund (Annuity Bond Fund) revenues increase beginning in fiscal 2021 upon expiration of special use assessment agreements. Based on data for country club and golf course property subject to special use assessment agreements, Annuity Bond Fund revenues could increase by approximately $80,000 in the third taxable year after the expiration of all existing special use assessment agreements.

SDAT advises that implementation of the provisions will result in increased expenditures. Increased costs include:

- changes to the Assessment Administration Valuation System;
- potential annual assessment, rather than a triennial assessment, of country club and golf course properties to determine the required assessment rate index; and
- an increase in the number of property assessment appeals.

As a result, general and special fund expenditures for the department may increase beginning in fiscal 2021. The department indicates that the amount of the expenditure increase cannot be reliably estimated at this time. Local governments are required to reimburse SDAT for 50% of real property assessment costs. As a result, special fund revenues from local government reimbursements increase by 50% of SDAT's total increased costs to implement the provisions each year.

**Local Effect:** Local property tax revenues increase upon expiration of special use assessments. Total local property tax revenues could increase by approximately $900,000 in the third taxable year after the expiration of all existing special use assessment agreements, based on current data for country club and golf course property subject to special use assessment agreements.

Local governments are required to reimburse SDAT for 50% of real property assessment costs. As a result, local government expenditures increase by 50% of SDAT's costs to the extent SDAT incurs increased expenditures to implement the provisions each year.

**Program Description:** SDAT may make agreements with golf courses and country clubs that specify the manner of assessing the land of a golf course or country club. All of these agreements must contain uniform provisions. An agreement must be for at least 10 consecutive years or for a longer period as determined by the golf course or country club and SDAT. An agreement may be extended by increments of at least 5 years. Except as otherwise provided, land owned by a golf course or country club is typically assessed at $1,000 per acre, subject to an agreement with SDAT, which is the same rate that is applied to land subject to specified open space easements.

SDAT advises that there are 18,144 country club and golf course acres in the State that are subject to a $1,000 per acre special use assessment under agreements with the department. SDAT also indicates that about 90% of the current agreements will expire in calendar 2022 or 2023; however, there are agreements with courses in Montgomery County that do not expire until 2030 and 2031.

A golf course that is open to the public is eligible for a special use assessment if it is located on at least 50 acres of land on which is maintained a regular or championship golf course of at least nine holes. A country club is eligible for a special use assessment if it (1) has at least 100 members, who pay dues averaging $50 or more annually for each member; (2) restricts use of its facilities primarily to members, families, and guests; and (3) is located on at least 50 acres of land, on which is maintained a regular or championship golf course of at least nine holes and a clubhouse.

**Recent History:** None.

**Location of Provisions in the Bill:** Section 6 (pp. 54-58)

Analysis prepared by: Michael D. Sanelli

## Restructure Transfer Tax Repayment Provisions

**Provisions in the Bill:** Reduce the fiscal 2021 transfer tax repayment from $43,860,950 to $5,690,501. Extend by two years the requirement for transfer tax repayment to Program Open Space (POS) and other programs funded by the transfer tax that were not provided in fiscal 2020 or fiscal 2021 resulting in repayments of: (1) for the fiscal 2006 transfer, $12.5 million in fiscal 2023 and $6.8 million in fiscal 2024; and (2) for park development and critical maintenance, $6.0 million in fiscal 2025 and 2026 and $4.0 million in fiscal 2027. Modify the timing of and extend by two years the requirement for transfer tax repayment to POS and other programs funded by the transfer tax for the fiscal 2016 to 2018 repayment requirements as follows: (1) a reduction of $25,360,950 for the first repayment grouping (originally required by June 30, 2021, later extended to June 30, 2022); and (2) an additional $50,721,900 by June 30, 2031.

The effect of these modifications is to reschedule the following: (1) $38,170,449 that will not be repaid in fiscal 2021; and (2) $43,860,950 that was not released from the Dedicated Purpose Account in fiscal 2020 and is authorized to be transferred to the general fund in Section 12 of this bill.

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

**Type of Action:** Miscellaneous

| **Fiscal** | *($ in millions)* | | | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| GF Exp | $0 | ($38.2) | $0 | $12.5 | $6.8 | $2.0 |
| SF Rev | $0 | ($38.2) | $0 | $12.5 | $6.8 | $2.0 |
| SF Exp | $0 | ($38.2) | $0 | $12.5 | $6.8 | $2.0 |

**State Effect:** General fund expenditures decrease by $38.2 million in fiscal 2021 and increase by $12.5 million in fiscal 2023, by $6.8 million in fiscal 2024, by $2.0 million in fiscal 2025, by $6.0 million in fiscal 2026, by $4.0 million in fiscal 2027, and by $25.4 million in both fiscal 2030 and 2031. Special fund revenues and expenditures for DNR and MDA decrease and increase commensurately, assuming the State continues the current practice of budgeting the general funds in the Dedicated Purpose Account and then transferring the funds to the specific programs.

**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 the Maryland Agricultural Land Preservation Foundation (MALPF). Local revenues and expenditures decrease and increase commensurately with the changes in funding for the programs.

**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.

**Recent History:** Chapter 10 of 2018 (Budget Reconciliation and Financing Act (BRFA) of 2018) repealed the mandated $15.0 million general fund repayment to POS in fiscal 2019, reduced future repayment amounts from $15.0 million to $12.5 million, and added a repayment requirement in fiscal 2022. In addition, Chapter 10 extended the requirement that the Governor provide $2.5 million to the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the Next Generation Farmland Acquisition Program to fiscal 2020 through 2022 and specified that 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. That MARBIDCO requirement is unaffected by this provision.

Chapter 565 of 2019 (the fiscal 2020 budget bill) allocated the $43.9 million in transfer tax repayment and a provision in Chapter 16 of 2019 (BRFA of 2019) authorized the funds to be transferred by budget amendment from the Dedicated Purpose Account for the purposes specified in the operating budget bill. The Governor elected to not process a budget amendment allocating the $43.9 million in the Dedicated Purpose Account to the purposes specified in the operating budget.

Section 12 of this bill transfers the $43,860,950 that was not released from the Dedicated Purpose Account in fiscal 2020 to the general fund in fiscal 2021. The fiscal 2021 budget bill removes the $38,170,449 repayment budgeted in the Dedicated Purpose Account.

**Location of Provisions in the Bill:** Section 6 (pp. 58-61)

Analysis prepared by: Andrew D. Gray

## Alter Restrictions on Fiscal 2020 Baltimore City Transportation Aid

**Provisions in the Bill:** Amend language that restricted funding in the fiscal 2020 budget bill (Chapter 565 of 2019) to be used for two specific projects. Specifically, the amendments remove the requirement that Baltimore City transportation aid for those projects be provided on a reimbursable basis and clarify the name of a road for which funds are restricted.

**Agency:** Maryland Department of Transportation (MDOT); State Highway Administration

**Type of Action:** Miscellaneous

**State Effect:** None.

**Local Effect:** Ensures transportation aid to Baltimore City may be spent for two projects for which the funding was restricted.

**Program Description:** MDOT provides transportation aid to local governments through the Gasoline and Motor Vehicle Revenue Account (GMRVA) (commonly known as highway user revenues). These funds must generally be used for transportation infrastructure construction and maintenance. Chapters 330 and 331 of 2018 altered the manner in which these funds are shared with local governments. Instead of directly sharing the revenues, the Acts require 100.0% of the funds to be retained by MDOT and then distributed to local governments through mandated capital grants, which are based on the total revenue allocated to GMVRA. From fiscal 2020 through 2024, the mandated capital grant amount is equal to 13.5% of the revenue allocated to GMVRA, of which 8.3% is required to be distributed to Baltimore City.

**Recent History:** The fiscal 2020 budget bill included $255.9 million for grants to counties and municipalities, of which $157.4 million was for Baltimore City. Language was added to the fiscal 2020 budget bill restricting a portion of the transportation aid ($2,350,000) for Baltimore City to two specific projects, including a portion of Frederick Avenue to address damage caused by flooding and improvements to Fort Smallwood Road. The clarification of the road name was required for the Fort Smallwood Road project.

**Location of Provisions in the Bill:** Section 8 (pp. 64-66)

Analysis prepared by: Steven D. McCulloch

**Reduce Appropriation to the Revenue Stabilization Account**

**Provision in the Bill:** Reduces the fiscal 2021 funding that the Governor must provide to the Revenue Stabilization Account by $284.4 million. The fiscal 2021 budget includes a $284,439,149 general fund reduction, contingent on the enactment of legislation to maintain the fund balance at 6.25% of projected fiscal 2021 general fund revenues.

**Agency:** State Reserve Fund

**Type of Action:** Miscellaneous

| **Fiscal Impact:** | **FY 2020** | **FY 2021** | *($ in millions)* **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
|---|---|---|---|---|---|---|
| GF Exp | $0 | ($284.4) | $0 | $0 | $0 | $0 |

**State Effect:** General fund expenditures decrease by $284.4 million in fiscal 2021 due to reducing the required Revenue Stabilization Account (Rainy Day Fund) appropriation from $291.4 million to $7.0 million.

**Local Effect:** None.

**Program Description:** The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Statute limits transfers from the fund and prohibits transferring funds by budget amendment. State law requires that the Administration appropriate a portion of the amount equal to any unassigned general fund balance at closeout in excess of $10.0 million into the Rainy Day Fund. This appropriation is made to the budget two years after the unassigned general fund surplus is realized.

**Recent History:** The Spending Affordability Committee recommended the Rainy Day Fund end fiscal 2021 with an estimated balance equivalent to at least 6.0% of general fund revenues.

A separate provision (Section 14) requires the transfer of $54.0 million from the Rainy Day Fund balance to the general fund in fiscal 2021.

In addition, several actions have been taken to authorize transfers from the Rainy Day Fund to support State government costs associated with the Coronavirus Disease 2019 (COVID-19). A separate provision of this bill (Section 25) authorizes a transfer of $100.0 million, while Chapter 12 of 2020 authorizes a transfer of $50.0 million. The Governor has (through March 30, 2020) requested transfers of $157.0 million through two budget amendments from the Rainy Day Fund for costs associated with COVID-19 including grants and loans to support small businesses, a layoff aversion fund, incentives for manufacturers to produce personal protective equipment, child care for essential personnel, and emergency preparedness activities.

**Location of Provision in the Bill:** Section 11 (p. 67)

Analysis prepared by: Rebecca J. Ruff

**Prohibit the State Board of Physicians from Lowering Licensing Fees in Fiscal 2021**

**Provision in the Bill:** Requires the State Board of Physicians (MBP), in fiscal 2021 only, to set licensing fees at a level at least equal to the level in effect on March 1, 2020.

**Agency:** Maryland Department of Health

**Type of Action:** Miscellaneous

**State Effect:** None.

**Local Effect:** None.

**Program Description:** MBP collects licensing fees for physicians and allied health professionals to fund the operations and duties of the board. These duties include enforcing the Maryland Medical Practice Act and the Maryland Physician Assistants Act. Among its duties, MBP must (1) adopt regulations to carry out the provisions of law for which it is responsible; (2) establish policies for board operations; (3) oversee licensing of physicians and allied health professionals; (4) review and investigate complaints; (5) report on all disciplinary actions, license denials, and license surrenders; (6) appoint members of the disciplinary panels; and (7) develop and approve an annual report.

**Recent History:** Under the current licensing fee structure, MBP has amassed a significant special fund balance, projected to be $6.3 million by the end of fiscal 2020. The current fund balance is well in excess of recommended levels for uncertainties in expenditures. Two separate provisions in this Act authorize transfers from the State Board of Physicians fund balance in fiscal 2021 as a result of this surplus. Section 16 transfers $900,000 to the general fund, while Section 10 transfers $400,000 to the Maryland Higher Education Commission to support the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants. This provision ensures funding is available for these transfers while maintaining fund balance to support uncertainties in expenditures for MBP operations.

**Location of Provision in the Bill:** Section 17 (p. 68)

Analysis prepared by: Andrew C. Garrison

**Authorize a Transfer from Rainy Day Fund for Coronavirus Response**

**Provisions in the Bill:** Authorize the Governor to transfer up to $100.0 million during calendar 2020 from the Revenue Stabilization Account (Rainy Day Fund) to the expenditure accounts of the appropriate units of State government to fund costs associated with the Coronavirus Disease 2019 (COVID-19). Require the Governor to provide the Legislative Policy Committee (LPC) with at least seven days to review and comment prior to the transfer of funds. Require that, within 60 days after the release of funds to units of State government, the Department of Budget and Management (DBM) submit a report to LPC and the General Assembly on the use of the funds, disaggregated by unit of State government.

**Agency:** State Reserve Fund – Revenue Stabilization Account

**Type of Action:** Miscellaneous

| **Fiscal** | | | *($ in millions)* | | | |
|---|---|---|---|---|---|---|
| **Impact:** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** |
| SF Rev | $100.0 | $0 | $0 | $0 | $0 | $0 |
| SF Exp | $100.0 | $0 | $0 | $0 | $0 | $0 |

**State Effect:** Special fund revenues for State agencies to fund costs associated with COVID-19 increase by as much as $100.0 million in fiscal 2020 (or 2021). Special fund expenditures increase by as much as $100.0 million if DBM transfers funds from the Rainy Day Fund in fiscal 2020 (or 2021).

**Local Effect:** None.

**Program Description:** The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Statute limits transfers from the fund and prohibits transferring funds by budget amendment.

If authorized by the General Assembly or specifically authorized in the State budget bill as enacted, the Governor may transfer funds from the Rainy Day Fund to general fund revenues as necessary to support the operation of State government on a temporary basis, unless the transfer would result in a Rainy Day Fund account balance below 5.0% of the estimated general fund revenues for the fiscal year in which the transfer is made. If the transfer would result in an account balance below that threshold, the Governor may transfer funds from the account to general fund revenues only if the transfer is authorized by the General Assembly other than in the State budget bill.

**Recent History:** At the time of budget enactment, the Rainy Day Fund was projected to end fiscal 2020 with a balance of $1.18 billion and to end fiscal 2021 with a balance of $1.15 billion (6.0% of general fund revenues). Chapter 12 of 2020 authorizes a similar transfer of up to $50.0 million from the Rainy Day Fund balance during calendar 2020 to support the COVID-19 response. On March 23, 2020, the Administration submitted two budget amendments, invoking the Governor's emergency powers and transferring $157.0 million from the Rainy Day Fund to State agencies. The budget amendments provide $137.0 million to the Department of Labor and the Department of Commerce to provide relief to small businesses and to mitigate layoffs and $20.0 million to the Maryland Department of Health to support the public health crisis. These budget amendments reduce the Rainy Day Fund balance in fiscal 2020 to $1.02 billion, or 5.5% of general fund revenues, prior to utilizing the authorizations provided in this provision or in Chapter 12.

Supplemental Budget No. 1 to the fiscal 2021 budget bill also included a $10.0 million general fund appropriation as a supplemental deficiency appropriation for fiscal 2020 to support emergency preparedness costs associated with COVID-19 in the Maryland Department of Health.

**Location of Provisions in the Bill:** Section 25 (pp. 69-70)

Analysis prepared by: Rebecca J. Ruff

## Appendix B
## (Shown in $ – Includes Only General, Special, and Federal Funds)

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| **General Fund Revenues** | | | | | | |
| **Mandate Relief** | | | | | | |
| Reduce Mandate for the Maryland Health Benefit Exchange in Fiscal 2021 Only | 0 | 3,500,000 | 0 | 0 | 0 | 0 |
| Alter Local Reserve Account Repayments | 0 | 0 | 0 | 0 | (10,000,000) | (10,000,000) |
| ***Subtotal – Mandate Relief*** | ***0*** | ***3,500,000*** | ***0*** | ***0*** | ***(10,000,000)*** | ***(10,000,000)*** |
| **Other Actions** | | | | | | |
| Slow Phase-in of Revenue Volatility Adjustment | 0 | 193,665,000 | 279,901,000 | 215,430,000 | 154,036,000 | 137,143,000 |
| Reduce Film Production Activity Tax Credit | 0 | 2,000,000 | 5,000,000 | 8,000,000 | 8,000,000 | 8,000,000 |
| Alter 1099-K Reporting Requirements | 0 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Transfer Dedicated Purpose Account Funds for Fiscal 2020 Program Open Space Replacement | 0 | 43,860,950 | 0 | 0 | 0 | 0 |
| Require Transfer of Rainy Day Fund Balance to General Fund | 0 | 54,000,000 | 0 | 0 | 0 | 0 |
| Transfer State Board of Physician Fund Balance to the General Fund | 0 | 900,000 | 0 | 0 | 0 | 0 |
| ***Subtotal – Other Actions*** | ***0*** | ***299,425,950*** | ***289,901,000*** | ***228,430,000*** | ***167,036,000*** | ***150,143,000*** |
| **Total General Fund Revenues** | **0** | **302,925,950** | **289,901,000** | **228,430,000** | **157,036,000** | **140,143,000** |
| **General Fund Expenditures** | | | | | | |
| **Mandate Relief** | | | | | | |
| Repeal Mandated Grant to Children and Parent Resource Group, Inc. and Withdraw Unspent Fiscal 2020 Funds | (156,500) | (250,000) | (250,000) | (250,000) | 0 | 0 |
| Reduce the Sellinger Funding Formula for Fiscal 2021 Only | 0 | (21,435,089) | 0 | 0 | 0 | 0 |
| Eliminate the Pension Sweeper and Other Postemployment Benefits Payments in Fiscal 2021 Only | 0 | (50,000,000) | 0 | 1,930,000 | 2,020,000 | 2,100,000 |
| Alter Local Reserve Account Repayments | 0 | (33,333,333) | (33,333,333) | (33,333,333) | (33,333,333) | (33,333,333) |
| Alter Medicaid Deficit Assessment Reduction Permanently | 0 | (10,000,000) | (35,000,000) | (60,000,000) | (85,000,000) | (110,000,000) |
| ***Subtotal – Mandate Relief*** | ***(156,500)*** | ***(115,018,422)*** | ***(68,583,333)*** | ***(91,653,333)*** | ***(116,313,333)*** | ***(141,233,333)*** |
| **Other Actions** | | | | | | |
| Increase the Drinking Driver Monitor Program Fee | 0 | (1,300,000) | (1,300,000) | (1,300,000) | (1,300,000) | (1,300,000) |
| Make Permanent Circuit Court Real Property Records Improvement Fund Surcharge | 0 | 0 | (14,641,321) | (14,641,321) | (14,641,321) | (14,641,321) |

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| **Other Actions (Cont.)** | | | | | | |
| Alter MARBIDCO Mandate and Specify Distribution | 0 | 0 | (140,000) | (140,000) | (140,000) | 2,735,000 |
| Restructure Transfer Tax Repayment Provisions – DNR | 0 | (32,685,387) | 0 | 10,368,750 | 5,648,479 | 2,000,000 |
| Restructure Transfer Tax Repayment Provisions – MDA | 0 | (5,485,062) | 0 | 2,131,250 | 1,161,020 | 0 |
| Reduce Appropriation to the Revenue Stabilization Account | 0 | (284,439,149) | 0 | 0 | 0 | 0 |
| Transfer State Board of Pharmacy Fund Balance to Medicaid | 0 | (750,000) | (750,000) | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for Premium Subsidy Payments | (216,253) | 0 | 0 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for the Administrative Services Organization Contract in the Behavioral Health Administration | (287,500) | 0 | 0 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for the Maryland Community College Promise Scholarship | (3,000,000) | 0 | 0 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for Personnel Spending in the Department of Public Safety and Correctional Services | (2,500,000) | 0 | 0 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for Agency Election Management System | (234,387) | 0 | 0 | 0 | 0 | 0 |
| ***Subtotal – Other Actions*** | ***(6,238,140)*** | ***(324,659,598)*** | ***(16,831,321)*** | ***(3,581,321)*** | ***(9,271,822)*** | ***(11,206,321)*** |
| **Total General Fund Expenditures** | **(6,394,640)** | **(439,678,020)** | **(85,414,654)** | **(95,234,654)** | **(125,585,155)** | **(152,439,654)** |
| **Special Fund Revenues** | | | | | | |
| **Mandate Relief** | | | | | | |
| Reduce Mandate for the Maryland Health Benefit Exchange in Fiscal 2021 Only | 0 | (3,500,000) | 0 | 0 | 0 | 0 |
| Eliminate the Pension Sweeper and Other Postemployment Benefits Payments in Fiscal 2021 Only | 0 | (50,000,000) | 0 | 0 | 0 | 0 |
| Alter Local Reserve Account Repayments | 0 | (33,333,333) | (33,333,333) | (33,333,333) | (33,333,333) | (33,333,333) |
| Alter Medicaid Deficit Assessment Reduction Permanently | 0 | 10,000,000 | 35,000,000 | 60,000,000 | 85,000,000 | 110,000,000 |
| ***Subtotal – Mandate Relief*** | ***0*** | ***(76,833,333)*** | ***1,666,667*** | ***26,666,667*** | ***51,666,667*** | ***76,666,667*** |
| **Other Actions** | | | | | | |
| Increase the Drinking Driver Monitor Program Fee | 154,000 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 |
| Make Permanent Circuit Court Real Property Records Improvement Fund Surcharge | 0 | 14,641,321 | 14,641,321 | 14,641,321 | 14,641,321 | 14,641,321 |

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| **Other Actions (Cont.)** | | | | | | |
| Slow Phase-in of Revenue Volatility Adjustment | 0 | (193,665,000) | (279,901,000) | (215,430,000) | (154,036,000) | (137,143,000) |
| Restructure Transfer Tax Repayment Provisions | 0 | (38,170,449) | 0 | 12,500,000 | 6,809,499 | 2,000,000 |
| Alter Car Dealer Fees | 0 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| Transfer Dedicated Purpose Account Funds for Fiscal 2020 Program Open Space Replacement | 0 | (43,860,950) | 0 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for Agency Election Management System | (234,388) | 0 | 0 | 0 | 0 | 0 |
| Authorize a Transfer from Rainy Day Fund for Coronavirus Response | 100,000,000 | 0 | 0 | 0 | 0 | 0 |
| ***Subtotal – Other Actions*** | ***99,919,612*** | ***(244,205,078)*** | ***(248,409,679)*** | ***(171,438,679)*** | ***(115,735,180)*** | ***(103,651,679)*** |
| **Total Special Fund Revenues** | **99,919,612** | **(321,038,411)** | **(246,743,012)** | **(144,772,012)** | **(64,068,513)** | **(26,985,012)** |

## Special Fund Expenditures

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| **Mandate Relief** | | | | | | |
| Reduce Mandate for the Maryland Health Benefit Exchange in Fiscal 2021 Only | 0 | (3,500,000) | 0 | 0 | 0 | 0 |
| Eliminate the Pension Sweeper and Other Postemployment Benefits Payments in Fiscal 2021 Only | 0 | 0 | 0 | 180,000 | 190,000 | 200,000 |
| Alter Local Reserve Account Repayments | 0 | (33,333,333) | (33,333,333) | (33,333,333) | (33,333,333) | (33,333,333) |
| Alter Medicaid Deficit Assessment Reduction Permanently | 0 | 10,000,000 | 35,000,000 | 60,000,000 | 85,000,000 | 110,000,000 |
| ***Subtotal – Mandate Relief*** | ***0*** | ***(26,833,333)*** | ***1,666,667*** | ***26,846,667*** | ***51,856,667*** | ***76,866,667*** |
| **Other Actions** | | | | | | |
| Increase the Drinking Driver Monitor Program Fee | 0 | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| Make Permanent Circuit Court Real Property Records Improvement Fund Surcharge | 0 | 0 | 14,641,321 | 14,641,321 | 14,641,321 | 14,641,321 |
| Restructure Transfer Tax Repayment Provisions | 0 | (38,170,449) | 0 | 12,500,000 | 6,809,499 | 2,000,000 |
| Transfer Fund Balance from the State Board of Physicians to the Loan Assistance Repayment Program | 0 | 400,000 | 0 | 0 | 0 | 0 |
| Transfer Dedicated Purpose Account Funds for Fiscal 2020 Program Open Space Replacement | 0 | (43,860,950) | 0 | 0 | 0 | 0 |

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| **Other Actions (Cont.)** | | | | | | |
| Transfer Fiscal 2020 Dedicated Purpose Account Funds for the Pension Sweeper and Washington Metropolitan Area Transit Authority to the Annuity Bond Fund | 0 | (62,000,000) | 0 | 0 | 0 | 0 |
| Transfer State Board of Pharmacy Fund Balance to Medicaid | 0 | 750,000 | 750,000 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for Concentration of Poverty Grants | (5,971,992) | 0 | 0 | 0 | 0 | 0 |
| Withdraw Unspent Fiscal 2020 Funds for Agency Election Management System | (234,388) | 0 | 0 | 0 | 0 | 0 |
| Authorize a Transfer from Rainy Day Fund for Coronavirus Response | 100,000,000 | 0 | 0 | 0 | 0 | 0 |
| ***Subtotal – Other Actions*** | ***93,793,620*** | ***(141,581,399)*** | ***16,691,321*** | ***28,441,321*** | ***22,750,820*** | ***17,941,321*** |
| **Total Special Fund Expenditures** | **93,793,620** | **(168,414,732)** | **18,357,988** | **55,287,988** | **74,607,487** | **94,807,988** |
| **Federal Fund Revenues** | | | | | | |
| Withdraw Unspent Fiscal 2020 Funds for the Administrative Services Organization Contract in the Behavioral Health Administration | (287,500) | 0 | 0 | 0 | 0 | 0 |
| **Total Federal Fund Revenues** | **(287,500)** | **0** | **0** | **0** | **0** | **0** |
| **Federal Fund Expenditures** | | | | | | |
| Eliminate the Pension Sweeper and Other Postemployment Benefits Payments in Fiscal 2021 Only | 0 | 0 | 0 | 180,000 | 190,000 | 200,000 |
| Withdraw Unspent Fiscal 2020 Funds for the Administrative Services Organization Contract in the Behavioral Health Administration | (287,500) | 0 | 0 | 0 | 0 | 0 |
| **Total Federal Fund Expenditures** | **(287,500)** | **0** | **0** | **180,000** | **190,000** | **200,000** |

DNR: Department of Natural Resources
MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation
MDA: Maryland Department of Agriculture

Note: Does not include other types of funds or indeterminate effects, which are discussed in the relevant single-item sections.

Source: Department of Legislative Services

**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

**TITLE OF BILL:** Budget Reconciliation and Financing Act of 2020

**BILL NUMBER:** SB 192/HB 152

**PREPARED BY:** Governor's Legislative Office

**PART A. ECONOMIC IMPACT RATING**

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

OR

__X__WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

**PART B. ECONOMIC IMPACT ANALYSIS**

The BRFA would potentially have an impact on small businesses in the following three instances:

- to the extent community services providers are small businesses, payments would be decreased under the BRFA, which reduces the rate increase;

- the cap on the film tax credit could similarly impact small businesses to the extent that additional film projects would have generated income for small business; and

- to the extent the reduced funding for Seed and the National Capital Strategic Economic Development programs would have gone to contracts with small businesses, there would be some impact there.