Department of Legislative Services

Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 493 (The President)(By Request - Administration)
Budget and Taxation

Budget Reconciliation and Financing Act of 2021

This Administration bill executes actions to increase revenues, provide mandate relief, contain costs, and reduce future year general fund expenditures. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: General fund revenues increase by $30.0 million in FY 2021 and $193.6 million in FY 2022. General fund expenditures decrease by $309.8 million in FY 2021 and $726.4 million in FY 2022. Special fund revenues increase by $35.0 million in FY 2021 and decrease by $238.5 million in FY 2022. Special fund expenditures increase by $309.8 million in FY 2021 and decrease by $1.8 million in FY 2022. Federal revenues and expenditures also decrease beginning in FY 2022. Future estimates reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

($ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	$30.0	$193.6	$3.0	$3.0	$3.0
SF Revenue	$35.0	($238.5)	$39.9	$49.5	$54.6
FF Revenue	$0	($4.2)	($4.2)	($4.2)	($4.2)
GF Expenditure	($309.8)	($726.4)	($203.0)	($206.6)	($215.5)
SF Expenditure	$309.8	($1.8)	$139.9	$49.7	$54.8
FF Expenditure	$0	($4.2)	($4.2)	($4.0)	($4.0)
Net Effect	$65.0	$683.3	$106.0	$209.2	$218.1

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

Local Effect: Local finances are generally affected beginning in FY 2022, as discussed below.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services generally concurs with this assessment.

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

- Alters the mandate to provide funding for specified costs and investigations of the Office of the Attorney General (OAG), Consumer Protection Division, beginning in fiscal 2022.
- Reduces the level of general funds that the Governor must provide for the Senator John A. Cade Funding Formula for the distribution of funds to community colleges in fiscal 2022, specifies the distribution among recipients, and alters the formula for future growth.
- Reduces the level of general funds that the Governor must provide for the Joseph A. Sellinger formula for qualifying institutions in fiscal 2022, specifies the distribution among institutions, and alters the formula for future growth.
- Repeals the requirement that the Governor provide $100,000 in general funds to the Maryland Loan Assistance Repayment Program for Foster Care Recipients and requires other funding be used to provide assistance.
- Repeals the requirement that the Governor fund the Maryland Public Broadcasting Commission at the level of the current year appropriation, as enacted by the General Assembly, and increased by general fund growth; also repeals the requirement to provide an additional general fund appropriation in certain circumstances.
- Reduces the mandated appropriation from the premium tax on health insurers to the Maryland Health Benefit Exchange from at least $35.0 million to $32.0 million beginning in fiscal 2022.
- Repeals, in fiscal 2022 only, the requirement that the Governor provide at least $1,794,000 in general funds for the Fisheries Research and Development Fund.
- Reduces the grant to the City of Annapolis that the Governor is required to provide from $750,000 (plus an inflation adjustment) to $367,000, and eliminates the annual inflationary adjustment.
- Repeals the requirement, for fiscal 2022 only, that the Governor include two separate appropriations to the State Retirement and Pension System Trust Fund and the Postretirement Health Benefits Trust Fund.
- Level funds the Maryland State Arts Council's general fund appropriation in fiscal 2022 and alters the formula for funding growth in future years.

- Reschedules required transfer tax repayments to Program Open Space totaling $43,860,950 in fiscal 2022 to future years.
- Increases the Medicaid Deficit Assessment by $35.0 million for fiscal 2021 and each fiscal year thereafter.

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

- Expands the allowable uses of the Blueprint for Maryland's Future Fund.
- Alters the use of the CareFirst premium tax exemption distributions beginning in fiscal 2022.
- Requires the transfer, in each of fiscal 2021 through 2026, of $100.0 million of health insurance provider fee assessment revenues to Medicaid.
- Slows the phase-in of the revenue volatility adjustment in fiscal 2022.
- Expands the allowable uses of general obligation (GO) bond sale premiums.
- Requires that local governments be responsible for 50% of any payments owed to an individual for an erroneous conviction settlement entered into by the Board of Public Works under the existing process for such payments.
- Requires, in fiscal 2021 only, a transfer of marketplace facilitator revenues and revenues collected through out-of-state vendor sales taxes to the Education Trust Fund for specified purposes.
- Increases the amount that each county and Baltimore City must reimburse the State Department of Assessments and Taxation (SDAT) for certain costs, beginning in fiscal 2022.
- Extends the authorization, for fiscal 2022 only, to use GO bonds in place of State transfer tax revenues for capital-eligible programs, provided that bonds are authorized to replace transferred funds on a one-for-one basis, and authorizes the Governor to direct transfer tax revenues to the general fund.
- Authorizes the transfer of $30.0 million from the balance of the reserve account established by the State to pay for unemployment benefits for State employees to the general fund, before June 30, 2021.
- Limits growth in fiscal 2022 rates paid to providers with rates set by the Interagency Rates Committee to no more than 4.0% over the rates in effect on December 31, 2020.
- Authorizes the transfer of $0.5 million from the balance in the State Board of Pharmacy Fund to the Office of Controlled Substances Administration in the Maryland Department of Health (MDH).
- Authorizes the transfer of $2.0 million from the balance in the State Board of Professional Counselors and Therapists Fund to the Behavioral Health Administration (BHA) in MDH.

- Authorizes the transfer of $6.0 million from the balance in the Natalie M. LaPrade Medical Cannabis Commission Fund to BHA in MDH.
- Requires the Comptroller to transfer $10.0 million from Consumer Protection Recoveries to the general fund, if OAG does not do so by May 1, 2022.

Administrative and Other Actions

- Requires certain unused Senatorial and Delegate scholarship funds to be transferred to the Need-Based Student Financial Assistance Fund.
- Reduces the fiscal 2022 funding that the Governor must provide to the Revenue Stabilization Account (Rainy Day Fund) by $422.0 million.
- Authorizes certain State agencies to temporarily charge specified expenditures related to the COVID-19 response to the Local Reserve Account, subject to reimbursement requirements.
- Authorizes the Governor to provide a reduced number of printed copies of the fiscal 2022 budget books to the Maryland General Assembly and the Department of Legislative Services.
- Requires that, in fiscal 2022 only, in order for school systems to receive a one-time education grant, the county government (including Baltimore City) must appropriate local funds to the boards of education operating budgets for fiscal 2022 that exceed local funds appropriated in fiscal 2021.
- Exempts retirees of MDH or the Maryland Department of Labor who are rehired by those same agencies for specified purposes from a statutory earnings limitation that applies to State retirees.
- Requires the Department of Public Safety and Correctional Services to reassign employees from any facilities closed effective June 30, 2021, to existing vacancies at other facilities.

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 2020, the Spending Affordability Committee recommended that the fiscal 2022 budget limit the structural budget gap to no more than $700 million for fiscal 2022 and leave a closing general fund balance of at least $100 million. The committee also recommended maintaining a Rainy Day Fund balance of at least 5.0% of estimated general fund revenues. The Governor's proposed fiscal 2022 budget plan, as introduced, reduced the structural budget gap to $76 million, left a $193 million balance in the general fund, and maintained the Rainy Day Fund balance at 5.0% of general fund revenues.

State Effect: Estimates of the fiscal 2021 and 2022 impact of the bill on the State general fund, totaling almost $1.3 billion, are shown in **Exhibit 1**.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2021
Fiscal 2021 and 2022
($ in Millions)

	FY 2021	FY 2022
Revenues		
Mandate Relief	$0.0	$3.0
Other Actions	30.0	190.6
Revenue Subtotal	***$30.0***	***$193.6***
Expenditures		
Mandate Relief	($35.0)	($191.9)
Other Actions	(274.8)	(534.5)
Expenditure Subtotal	***($309.8)***	***($726.4)***
Total Impact	**$339.8**	**$920.0**

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 7). The fiscal 2021 through 2026 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 64) identifies the fiscal impact of separate provisions by fund type.

Local Effect: The impacts on local jurisdictions are included in the discussion of each provision in Appendix A. For example, direct State aid for community colleges is reduced in fiscal 2022 and future years due to rebasing the funding amount and altering the formula for annual growth. The local cost share for certain property tax valuation and related functions handled by SDAT is increased beginning in fiscal 2022. The fiscal 2022 effects of these two provisions on local government finances are summarized in **Appendix C (**on page 68). Other impacts include reducing the amount of an annual grant to the City of Annapolis, requiring local participation in settlement payments to individuals who were erroneously convicted, and delaying funding for certain local conservation programs due to restructuring repayment of the transfer tax. Diversion of certain transfer tax revenues to the general fund in fiscal 2022 does not affect local jurisdictions as that funding is instead provided in the capital budget. Finally, additional funding that may be available to local school systems in the form of a one-time grant in fiscal 2022 requires maintenance of effort.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 589 (The Speaker)(By Request - Administration) - Appropriations.

Information Source(s): Department of Budget and Management; Board of Public Works; Maryland State Treasurer's Office; Department of Commerce; Maryland State Department of Education; Maryland Public Television; Department of Public Safety and Correctional Services; Maryland Health Benefit Exchange; Maryland Insurance Administration; Maryland Independent College and University Association; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2021
rh/ljm

Analysis by: Stephen M. Ross

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Appendix A – Contents

Mandate Relief

Fund Swaps, Cost Shifts, and Cost Control

Administrative and Other Items

Alter Mandate for the Office of the Attorney General, Consumer Protection Division to Special Funds

Provision in the Bill: Alters the mandate to provide funding for specified costs and investigations of the Office of the Attorney General (OAG), Consumer Protection Division (CPD) by requiring the use of special funds, rather than general funds, beginning in fiscal 2022. No specific special fund is identified as the source for the special fund mandate going forward. The Governor's proposed fiscal 2022 budget includes a $700,000 general fund reduction, contingent on the enactment of legislation authorizing the use of special funds.

Agency: Office of the Attorney General – Consumer Protection Division

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($0.7)	($0.7)	($0.7)	($0.7)	($0.7)

State Effect: General fund expenditures for OAG decrease by at least $700,000 annually beginning in fiscal 2022. Special fund expenditures are unchanged as, in lieu of this change, spending would have supported other activities of OAG.

Local Effect: None.

Program Description/Recent History: CPD assists residents by providing mediation and arbitration service to consumers to help resolve complaints against businesses and health insurance carriers, registers homebuilders and health clubs, and enforces consumer laws against businesses engaging in unfair or deceptive trade practices.

Although the provision does not identify a specific source for the special funds to be used in fulfilling the mandate, the available fund balance in the nonbudgeted Consumer Protection Fund, which is assumed to be the source of the special funds, should be sufficient to cover the additional expenses.

Location of Provision in the Bill: Section 1 (p. 4)

Analysis prepared by: Madelyn C. Miller

Rebase and Alter the Senator John A. Cade Funding Formula for Local Community College Aid

Provisions in the Bill: Rebase the level of general funds that the Governor must provide for the Senator John A. Cade Funding Formula for the distribution of funds to community colleges in fiscal 2022 to $263,481,740, specify the distribution among the community colleges, and alter the formula for future growth beginning in fiscal 2023 to the level of general fund growth. General fund growth is determined by the percentage by which the projected total general fund revenues for the upcoming fiscal year exceed the revised estimate of total general fund revenues for the current fiscal year, as contained in the December report of the Board of Revenue Estimates. The Governor's proposed fiscal 2022 budget includes a $26.6 million general fund reduction, contingent on the enactment of legislation reducing the growth in the Cade formula to annual general fund growth.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp.	$0	($26.6)	($24.3)	($28.9)	($32.2)	($35.5)

State Effect: General fund expenditures for the Cade formula decrease by $26.6 million in fiscal 2022 while out-year expenditures reflect the lower base upon which future growth is calculated and the alteration of the calculation for future growth.

Local Effect: Direct State aid for local community colleges decreases by $26.6 million in fiscal 2022, $24.3 million in fiscal 2023, $28.9 million in fiscal 2024, $32.2 million in fiscal 2025, and $35.5 million in fiscal 2026. **Exhibit 1** shows the fiscal 2022 effect on each local community college.

Program Description: The Cade formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State's per full-time equivalent student (FTES) funding for selected public four-year institutions of higher education. This per FTES amount is multiplied by total community college enrollment from the second prior year to arrive at the total formula amount for the colleges. Each college's share of the total is then based primarily on its proportion of formula funding from the prior year and enrollment. Under current law, the mandated percentage of per FTES funding for the Cade formula is 27% in fiscal 2022 and 29% in fiscal 2023 and thereafter. The proposed funding for the out-years would de-link community college funding from the amount provided to public four-year institutions and from the components of the Cade formula each year, including adjustments for FTES, fixed cost, marginal cost, size factor, and a hold harmless provision.

Exhibit 1
Comparison of Funding Distribution Due to Rebasing Under the Bill
Fiscal 2022

Institution	**Current Law Distribution**	**BRFA Distribution**	**$ Change**	**% Change**
Allegany College of Maryland	$6,273,564	$5,475,489	-$798,075	-14.6%
Anne Arundel Community College	33,836,363	31,172,213	-2,664,150	-8.5%
Community College of Baltimore County	48,795,281	44,790,747	-4,004,534	-8.9%
Carroll Community College	8,829,669	8,108,664	-721,005	-8.9%
Cecil College	6,185,956	5,698,602	-487,354	-8.6%
College of Southern Maryland	15,790,365	15,179,325	-611,040	-4.0%
Chesapeake College	7,037,525	6,480,975	-556,550	-8.6%
Frederick Community College	13,283,579	11,768,685	-1,514,894	-12.9%
Garrett College	3,206,618	3,025,651	-180,967	-6.0%
Hagerstown Community College	10,400,303	9,002,527	-1,397,776	-15.5%
Harford Community College	13,887,341	12,759,322	-1,128,019	-8.8%
Howard Community College	23,830,978	20,901,077	-2,929,901	-14.0%
Montgomery College	52,506,449	47,749,060	-4,757,389	-10.0%
Prince George's Community College	37,072,503	32,967,142	-4,105,361	-12.5%
Wor-Wic Community College	9,155,721	8,402,261	-753,460	-9.0%
Total	**$290,092,215**	**$263,481,740**	**-$26,610,475**	**-10.1%**

BRFA: Budget Reconciliation and Financing Act

Note: The contingent reduction of $26,615,554 in the budget bill, which is effectuated if this bill passes, reflects both the $26,610,475 change reflected above (due to the rebasing provisions in this bill) as well as a $5,079 reduction in a reciprocity grant.

Source: Department of Legislative Services

Recent History: Chapter 333 of 2006 began a phased enhancement of the Cade formula that has been adjusted frequently by budget reconciliation legislation. In July 2020, the Board of Public Works reduced fiscal 2021 Cade formula funding by $36.4 million to level fund it at the fiscal 2020 appropriation ($249.7 million).

Location of Provisions in the Bill: Section 1 (pp. 5-10)

Analysis prepared by: Ian M. Klein

Level Fund Sellinger Funding and Alter Future Growth in the Formula

Provisions in the Bill: Rebase the level of general funds that the Governor must provide for the Joseph A. Sellinger formula for qualifying institutions to the fiscal 2021 appropriation ($59,024,905), specify the distribution among institutions, and alter the formula for future growth beginning in fiscal 2023 to one percentage point less than general fund growth. General fund growth is determined by the extent to which the projected total general fund revenues for the upcoming fiscal year exceed the revised estimate of total general fund revenues for the current fiscal year, as contained in the December report of the Board of Revenue Estimates. The Governor's proposed fiscal 2022 budget includes a $29.8 million reduction, contingent on the enactment of legislation to set the fiscal 2022 grants to private colleges and universities at the fiscal 2021 working appropriation.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($29.8)	($29.1)	($30.9)	($33.0)	($35.1)

State Effect: General fund expenditures for the Sellinger formula decrease by $29.8 million in fiscal 2022, to level fund the program at the fiscal 2021 appropriation. Out-year expenditures reflect the lower base upon which future growth is calculated and the alteration of the calculation for future growth.

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 full-time equivalent student (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 2022 and thereafter. The proposed changes to the out-year funding formula de-links the funding for the nonprofit independent colleges and universities from the public four-year institutions and removes changes in enrollment at the nonprofit independent colleges and universities from the funding formula. **Exhibit 1** shows the impact by institution of the change in funding for fiscal 2022.

Exhibit 1
Comparison of Funding Distribution Due to Rebasing Under the Bill
Fiscal 2022

Institution	Current Law Distribution	BRFA Distribution	$ Change	% Change
The Johns Hopkins University	$45,780,264	$29,019,524	-$16,760,740	-57.8%
Loyola College	9,490,278	6,534,728	-2,955,550	-45.2%
Stevenson University	6,340,738	4,358,920	-1,981,818	-45.5%
McDaniel College	4,995,322	2,771,043	-2,224,279	-80.3%
Maryland Institute College of Art	3,431,360	2,823,062	-608,298	-21.5%
Mount St. Mary's College	4,386,318	2,676,349	-1,709,969	-63.9%
Goucher College	2,946,205	2,466,084	-480,121	-19.5%
Washington College	2,424,959	2,012,424	-412,535	-20.5%
Hood College	2,947,842	1,834,286	-1,113,556	-60.7%
Notre Dame of Maryland University	2,639,840	1,842,589	-797,251	-43.3%
Washington Adventist University	1,417,801	1,171,808	-245,993	-21.0%
St. John's College	1,050,147	843,131	-207,016	-24.6%
Capitol Technology University	958,991	670,957	-288,034	-42.9%
Total	**$88,810,065**	**$59,024,905**	**-$29,785,160**	**-50.5%**

BRFA: Budget Reconciliation and Financing Act

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

Recent History: The Budget Reconciliation and Financing Act of 2020 reduced funding for the Sellinger program by $21.4 million in fiscal 2021 but did not alter out-year funding. Actions approved July 1, 2020, by the Board of Public Works further reduced the fiscal 2021 appropriation by $10.6 million. In combination, these actions set the fiscal 2021 funding for the program at the same level as fiscal 2020.

Location of Provisions in the Bill: Section 1 (pp. 10-12)

Analysis prepared by: Sara J. Baker

Repeal Mandate for Maryland Loan Assistance Repayment Program for Foster Care Recipients and Allow for Alternate Funding

Provisions in the Bill: Repeal the requirement that the Governor provide $100,000 in general funds to the Maryland Loan Assistance Repayment Program (MLARP) for Foster Care Recipients. Instead, require that a portion of the funding available under the Janet L. Hoffman Loan Assistance Repayment Program be used to provide assistance under MLARP for Foster Care Recipients. The Governor's proposed fiscal 2022 budget includes a $100,000 general fund reduction, contingent on the enactment of legislation eliminating the mandate and allowing recipients to be covered under other specified funding.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp.	$0	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)

State Effect: General fund expenditures for MHEC decrease by $100,000 annually beginning in fiscal 2022 as other funding is used to provide financial assistance under MLARP for Foster Care Recipients.

Program Description: MLARP for Foster Care Recipients is available to any former foster care recipients who are employed by Maryland State, county, or municipal government and who have graduated from an institution of higher education in Maryland. Eligible individuals must have been a Maryland resident and been placed in an out-of-home placement by a state's or unit of a state government's department of social services for three years or more.

The Janet L. Hoffman Loan Assistance Repayment Program is available to certain individuals who work on a full-time basis for the government or the nonprofit sector in a priority field as determined by MHEC. Recipients must meet income eligibility requirements as determined by MHEC.

Recent History: Chapter 719 of 2016 established MLARP for Foster Care Recipients. The bill took effect July 1, 2016, and applied retroactively to any individual who met the eligibility requirements on, or after, July 1, 2010.

Location of Provisions in the Bill: Section 1 (p. 13)

Analysis prepared by: Ian M. Klein

Repeal Mandated Funding for the Maryland Public Broadcasting Commission

Provisions in the Bill: Repeal the requirement that the Governor fund the Maryland Public Broadcasting Commission (MPBC) at the level of the current year appropriation, as enacted by the General Assembly, and increased by general fund growth. Repeal the requirement to provide an additional general fund appropriation – if special fund expenditures from two specific federal grants are lower than what was budgeted for the second preceding year – by the amount of the difference. The Governor's proposed fiscal 2022 budget includes a $775,594 general fund reduction, contingent on the enactment of legislation suspending the mandated increase in funding.

Agency: Maryland Public Broadcasting Commission

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($0.8)	($1.2)	($1.6)	($2.0)	($2.4)

State Effect: General fund expenditures for MPBC decrease by $775,594 in fiscal 2022, escalating to $2.4 million by fiscal 2026. Decreases to general fund expenditures in subsequent fiscal years are dependent upon estimated general fund revenue growth and special funds received from the Corporation for Public Broadcasting (CPB). *For illustrative purposes*, the impact on future funding is shown only for the estimated impact of general fund revenue growth as changes in CPB revenues are unknown. The estimate assumes that the Governor will choose to fund MPBC in future years at the level in the proposed fiscal 2022 budget, after the contingent reduction.

Local Effect: None.

Recent History: Chapter 816 of 2017 established minimum funding levels for MPBC. Beginning in fiscal 2019, the Governor is required to increase the annual general fund appropriation by the projected percentage increase in general fund revenues for the upcoming fiscal year. The Governor must also annually appropriate general funds to offset any decline in CPB revenues from certain federal grants in the second prior fiscal year. Actions approved by the Board of Public Works on July 1, 2020, reduced the mandated funding for MPBC for fiscal 2021.

Location of Provisions in the Bill: Section 1 (pp. 13-14)

Analysis prepared by: Samuel M. Quist

Reduce Mandated Appropriation for the Maryland Health Benefit Exchange

Provision in the Bill: Reduces the mandated appropriation from the premium tax on health insurers to the Maryland Health Benefit Exchange (MHBE) from at least $35.0 million to $32.0 million beginning in fiscal 2022. The Governor's proposed fiscal 2022 budget includes a $3.0 million special fund reduction and a $4.16 million federal 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 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Rev	$0	$3.0	$3.0	$3.0	$3.0	$3.0
SF Rev	$0	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)
FF Rev	$0	($4.2)	($4.2)	($4.2)	($4.2)	($4.2)
SF Exp	$0	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)
FF Exp	$0	($4.2)	($4.2)	($4.2)	($4.2)	($4.2)

State Effect: Special fund revenues and expenditures decrease by $3.0 million annually beginning in fiscal 2022. General fund revenues increase correspondingly as 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 beginning in fiscal 2022 due to the federal participation in certain expenditures. The actual decrease depends on the types of activities that do not occur; however, *for illustrative purposes only*, the reduction is assumed at the level of the contingent reduction in fiscal 2022 ($4.16 million).

Local Effect: None.

Program Description: Chapters 1 and 2 of 2011 created MHBE in response to the federal Patient Protection and Affordable Care Act. MHBE is intended to provide a marketplace for individuals and small businesses to access affordable or no-cost health coverage. 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 appropriation. Beginning in fiscal 2016, the mandated appropriation was set to be at least $35.0 million. 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 the fiscal year.

Recent History: Chapter 538 of 2020 (Budget Reconciliation and Financing Act of 2020) reduced mandated funding for MHBE to $31.5 million for fiscal 2021 only. Language in the fiscal 2021 budget bill (Chapter 19 of 2020) required MHBE to submit a report evaluating the agency's funding needs.

Location of Provision in the Bill: Section 1 (p. 18)

Analysis prepared by: Tonya D. Zimmerman

Eliminate Mandate for Fisheries Research and Development Fund in Fiscal 2022 Only

Provision in the Bill: Repeals, in fiscal 2022 only, the requirement that the Governor provide at least $1,794,000 in general funds for the Fisheries Research and Development Fund. The Governor's proposed fiscal 2022 budget includes a $1,794,000 general fund reduction, contingent on the enactment of legislation eliminating the mandated general fund appropriation (for the year) to the special fund.

Agency: Department of Natural Resources (DNR)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Rev	$0	($1.8)	$0	$0	$0	$0
GF Exp	$0	($1.8)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $1.8 million in fiscal 2022. Special fund revenues decrease correspondingly. Although, typically, special fund expenditures would be expected to decrease as well, the Governor's proposed fiscal 2022 budget maintains special fund expenditures through the use of fund balance. Therefore, there is no impact on special fund expenditures.

Local Effect: None.

Program Description: The primary purpose of the Fisheries Research and Development Fund is to support the management of fisheries. Revenues for the fund primarily come from the sale of commercial and recreational fishing licenses. Accounting for this provision, the fund is estimated to have a fiscal 2022 closing balance of $3.4 million.

The Fishing and Boating Services program is responsible for fisheries resources, including the regulation of recreational and commercial fishing activities, among other activities. The Fisheries Research and Development Fund comprises the largest portion of the fiscal 2022 special fund appropriation for the DNR Fishing and Boating Services program, reflecting $7.5 million out of a total special fund appropriation of $16.0 million.

Recent History: Chapter 6 of the 2007 special session changed the Motor Fuel Tax revenue distribution and replaced a distribution to the Fisheries Research and Development Fund with a mandated general fund appropriation of at least $1,794,000 annually, beginning in fiscal 2009.

Location of Provision in the Bill: Section 1 (p. 18)

Analysis prepared by: Andrew D. Gray

Reduce Mandated Funding for the City of Annapolis

Provisions in the Bill: Reduce the grant to the City of Annapolis that the Governor is required to provide from $750,000 (plus an inflation adjustment) to $367,000 and eliminate the requirement that the amount increase annually by the Consumer Price Index for All Urban Consumers (CPI-U) for the Baltimore Metropolitan Statistical Area. The Governor's proposed fiscal 2022 budget includes a $383,000 general fund reduction, contingent on the enactment of legislation altering the mandate.

Agency: Department of General Services (DGS)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)*					
	FY 2021	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($0.4)	($0.4)	($0.4)	($0.4)	($0.4)

State Effect: General fund expenditures decrease by $383,000 in fiscal 2022, from the $750,000 in the allowance. (The allowance already omits any funding for inflation.) Assuming the Governor provides the required minimum under the bill each year, and 1.4% annual inflation, the general fund reduction escalates to $437,000 by fiscal 2026.

Local Effect: The City of Annapolis realizes a corresponding loss in grant revenues.

Program Description: DGS advises that the State owns 19 buildings with 1.8 million square feet and one parking garage with 720 parking spaces in the City of Annapolis. The city estimated that it provided approximately $661,000 in State services in fiscal 2018. This includes the fire department maintaining a hazmat team and additional police expenses for services and special events.

Recent History: From fiscal 1996 through 2019, the State provided a $367,000 annual grant for the City of Annapolis. Prior law was ambiguous in that it noted that the State is required to pay for refuse and other services but did not mandate a specific amount or define a formula. Chapter 3 of 2019 amended the requirement to clarify that the State is mandated to appropriate a grant for the City of Annapolis and set the mandate at $750,000 annually beginning in fiscal 2021. Beginning in fiscal 2022, the mandate is required to increase by CPI-U for the Baltimore Metropolitan Statistical Area.

Location of Provisions in the Bill: Section 1 (pp. 18-19)

Analysis prepared by: Patrick S. Frank

Eliminate Extra Pension and Other Postemployment Benefits Payments in Fiscal 2022 Only

Provisions in the Bill: Repeal the requirement, for fiscal 2022 only, that the Governor include 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 ("OPEB") 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 Governor's proposed fiscal 2022 budget includes a $50.0 million general fund reduction to the Dedicated Purpose Account, contingent on the enactment of legislation that eliminates these two payments.

Agency: State Retirement Agency; Department of Budget and Management

Type of Action: Mandate relief

Fiscal Impact:	($ in millions) **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
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 2022 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 the 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 2024, which represents the amortized cost of making up the foregone payment to the SRPS trust fund in fiscal 2022. 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. For fiscal 2020, the unencumbered general fund surplus was $585.8 million, so absent this provision, the fiscal 2022 payments would total $50.0 million, the maximum amount required.

Chapter 466 of 2004 created the OPEB 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 OPEB 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, 2020, the market value of assets in the fund was $355.1 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 budget reconciliation legislation has repealed or redirected the required payments in fiscal 2018, 2019, 2020, and 2021.

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

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

Level Fund Maryland State Arts Council and Alter Future Growth

Provisions in the Bill: Level fund the Maryland State Arts Council (MSAC) general fund appropriation in fiscal 2022 and alter the formula for funding growth in future years such that the general fund appropriation for MSAC must grow by one percentage point less than the estimated growth in general fund revenues. Under current law, the general fund allowance for MSAC must grow by the estimated growth in general fund revenues. The Governor's proposed fiscal 2022 budget includes a $2.9 million general fund reduction, contingent on the enactment of legislation level funding the mandate to the fiscal 2021 working appropriation.

Agency: Department of Commerce

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($2.9)	($4.3)	($4.7)	($5.2)	($5.6)

State Effect: General fund expenditures for MSAC decrease by $2.9 million (based on the amount included in the contingent reduction) in fiscal 2022, escalating to $5.6 million in fiscal 2026. However, the proposed fiscal 2022 budget does not include sufficient funding for the existing mandate; an additional $1.0 million is expected to be added through a supplemental budget, and the contingent reduction is expected to be increased accordingly to $3.9 million. Future year reductions are unaffected by that expected change.

Local Effect: None.

Program Description/Recent History: MSAC supports the visual, literary, and performing arts by providing grants, technical assistance, and other support services to arts organizations and presenters, county art councils, schools, Arts and Entertainment Districts, and individual artists. Actions approved by the Board of Public Works on July 1, 2020, reduced fiscal 2021 funding for MSAC by $1.5 million, resulting in a fiscal 2021 general fund working appropriation of $22.4 million. Senate Bill 465 of 2020 extended the distribution of $1.0 million of Admissions and Amusement tax revenues to MSAC beyond fiscal 2021. The bill was vetoed by the Governor, but the veto was overridden on February 11, 2021. The fiscal 2022 allowance includes $1.0 million in special funds for the distribution, and these special funds are included in the base when calculating the mandated growth of the general fund appropriation, per the Budget Reconciliation and Financing Act of 2017 (Chapter 23).

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

Analysis prepared by: Emily R. Haskel

Restructure Transfer Tax Repayment Provisions

Provisions in the Bill: Repeal the required transfer tax repayments totaling $43,860,950 in fiscal 2022. Extend by one year 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 2022, resulting in repayments of (1) for the fiscal 2006 transfer, $12.5 million in fiscal 2024 and $6.8 million in fiscal 2025 and (2) for park development and critical maintenance, $6.0 million in fiscal 2027 and $4.0 million in fiscal 2028. Modify the timing of and extend by one year 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, 2022); and (2) an additional $25,360,950 by June 30, 2032, for the third repayment grouping.

The effect of these modifications is to reschedule the repealed fiscal 2022 repayment. The Governor's proposed fiscal 2022 budget includes a $43,860,950 general fund reduction in the Dedicated Purpose Account, contingent on the enactment of legislation adjusting the repayment schedule for programs supported by the transfer tax.

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

Type of Action: Mandate relief

Fiscal			*($ in millions)*			
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Rev	$0	($43.9)	$0	$5.7	$6.8	$0
GF Exp	$0	($43.9)	$0	$5.7	$6.8	$0
SF Exp	$0	($43.9)	$0	$5.7	$6.8	$0

State Effect: General fund expenditures decrease by $43.9 million in fiscal 2022 and increase by $5.7 million in fiscal 2024, by $6.8 million in fiscal 2025, by $2.0 million in fiscal 2027, by $4.0 million in fiscal 2028, and by $25.4 million in fiscal 2032. 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.

Of note, the Administration plans to accelerate the repayment plan by providing $50.7 million by fiscal 2025 instead of by fiscal 2026 as required by current statute.

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.

Chapter 583 of 2020 (BRFA of 2020) transferred to the general fund in fiscal 2021 the $43,860,950 that was not released from the Dedicated Purpose Account in fiscal 2020 and rescheduled the repayment of this funding. Chapter 19 of 2021 (the fiscal 2021 budget bill) removed the $38,170,449 repayment budgeted in the Dedicated Purpose Account and Chapter 583 rescheduled the repayment of this funding.

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

Analysis prepared by: Andrew D. Gray

Increase Medicaid Deficit Assessment Permanently

Provision in the Bill: Increases the Medicaid Deficit Assessment by $35.0 million, from $294,825,000 to $329,825,000, for fiscal 2021 and each fiscal year thereafter. The Governor's proposed fiscal 2022 budget includes a fiscal 2021 special fund deficiency appropriation for Medicaid and a fiscal 2022 Medicaid general fund reduction of $35.0 million, both contingent on the enactment of legislation increasing the Medicaid Deficit Assessment. It also includes authorization to process a special fund budget amendment to replace the general funds in fiscal 2022.

Agency: Maryland Department of Health

Type of Action: Mandate relief; Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Rev	$35.0	$35.0	$35.0	$35.0	$35.0	$35.0
GF Exp	($35.0)	($35.0)	($35.0)	($35.0)	($35.0)	($35.0)
SF Exp	$35.0	$35.0	$35.0	$35.0	$35.0	$35.0

State Effect: Medicaid general fund expenditures decrease by $35.0 million in fiscal 2021 and each subsequent year. 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 ($56.5 million in fiscal 2021).

Recent History: Since its imposition, budget reconciliation legislation in numerous years has altered the Medicaid Deficit Assessment. The Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) specified the deficit assessment level and BRFAs in the three subsequent years have amended the proposed assessment level. The BRFA of 2020 (Chapter 528) established the assessment level at $294,825,000 for fiscal 2021 and each fiscal year thereafter. Actions approved by the Board of Public Works on July 1, 2020, reduced the fiscal 2021 Medicaid appropriation by $35.0 million based on a planned increase in the assessment.

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

Analysis prepared by: Simon G. Powell

Expand Allowable Uses of the Blueprint for Maryland’s Future Fund

Provision in the Bill: Expands the allowable uses of the Blueprint for Maryland’s Future Fund to include early childhood, primary, and secondary education costs associated with COVID-19. In fiscal 2022, funds may be used for one-time primary and secondary grants to address enrollment declines and to ensure that every county board receives an increase in State education aid over the amount allocated in fiscal 2021.

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: This change may impact local county boards due to special funds being reallocated to increase State education aid from fiscal 2021 to 2022.

Program Description: Chapter 771 of 2019 established the Blueprint for Maryland’s Future Fund consistent with funding priorities and recommendations identified by the Commission on Innovation and Excellence in Education (Kirwan Commission). Revenues for this fund are generated from gaming proceeds and online sales taxes. The Governor is required to allocate $350 million in fiscal 2021 and $500 million in fiscal 2022 to this special fund. Funds are allocated to the Blueprint for Maryland’s Future Grant program, which provides grants for local school systems (LSS) to implement Kirwan Commission recommendations. In fiscal 2022, LSS receive additional funds over fiscal 2021 grant allocations for concentration of poverty schools, supplemental instruction and tutoring, declining enrollment, and special education transportation.

Recent History: Chapter 771 of 2019, Blueprint for Maryland’s Future, allocated new funding for LSS to implement recommendations of the Kirwan Commission. In November 2019, the Kirwan Commission concluded its work with recommendations in five policy areas: Early Childhood Education; High-quality and Diverse Teachers and Leaders; College and Career Readiness Pathways; More Resources to Ensure All Students are Successful; and Governance and Accountability. Chapter 538 of 2020 (Budget Reconciliation and Financing Act of 2020) added prekindergarten expansion grants as an allowable use of the Blueprint for Maryland’s Future Fund.

Location of Provision in the Bill: Section 1 (pp. 4-5)

Analysis prepared by: Laura H. Hyde and Anne P. Wagner

Modify Use of and Threshold for the CareFirst Premium Tax Exemption

Provisions in the Bill: Alter the use of the CareFirst premium tax exemption beginning in fiscal 2022, by (1) making the distribution of $8.0 million to the Maryland Community Health Resources Commission (MCHRC) a cap rather than a floor and (2) making the distribution of $14.0 million to the Senior Prescription Drug Assistance Program (SPDAP) a floor rather than a cap. The Governor's proposed fiscal 2022 budget includes a $4.4 million special fund reduction, contingent on the enactment of legislation to reduce the MCHRC annual mandated appropriation. It also includes a corresponding authorization to process a $4.4 million special fund budget amendment, contingent on the enactment of legislation to increase the SPDAP mandated appropriation.

Agency: Maryland Department of Health

Type of Action: Change use of special funds

State Effect: No net effect on overall special fund revenues or expenditures; however, funds are reallocated.

Local Effect: None.

Program Description: MCHRC was established as an independent commission in 2005 to expand access to health care services in underserved communities in Maryland by awarding grants to expand access and support public health priorities. SPDAP provides Medicare Part D premium assistance to moderate-income Maryland residents (incomes less than 300% of the federal poverty level) who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan.

Recent History: Various budget reconciliation and financing actions have transferred surplus SPDAP funds to the general fund and expanded the uses of the funds. For example, Chapter 23 of 2017 (Budget Reconciliation and Financing Act of 2017) allowed SPDAP funds to be used for the Kidney Disease Program or for community mental health services to the uninsured.

Location of Provisions in the Bill: Section 1 (pp. 14-15, 16-18)

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

Require Transfers of Reinsurance Provider Assessment Revenue to Medicaid

Provision in the Bill: Requires the transfer, in each of fiscal 2021 through 2026, of $100.0 million of health insurance provider fee assessment revenue (created to support the State Reinsurance Program) to Medicaid, with the remaining revenue continuing to be provided to the Maryland Health Benefit Exchange (MHBE) Fund. The Governor's proposed fiscal 2022 budget includes general fund reductions of $100.0 million in both fiscal 2021 and 2022, contingent on the enactment of legislation authorizing the transfer. In addition, the Governor's proposed fiscal 2022 budget includes a $100.0 million special fund fiscal 2021 deficiency appropriation, contingent on the enactment of legislation authorizing the transfer, as well as an authorization to process a special fund budget amendment to replace the general funds for fiscal 2022.

Agency: Maryland Insurance Administration; Maryland Health Benefit Exchange; Maryland Department of Health (MDH)

Type of Action: Fund swap; transfer

Fiscal			*($ in millions)*			
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	($100.0)	($100.0)	($100.0)	($100.0)	($100.0)	($100.0)
SF Exp	$100.0	$100.0	$100.0	-	-	-

State Effect: Medicaid general fund expenditures decrease by $100.0 million annually from fiscal 2021 through 2026 due to the availability of special funds from the health insurance provider fee assessment. MDH special fund expenditures increase correspondingly. In the out-years, MHBE special fund expenditures decrease and offset, at least in part, the increase in MDH special fund expenditures. However, the timing of MHBE special fund expenditures depends on when these funds would have been required for the State Reinsurance Program, which could occur as soon as fiscal 2024 and would definitely be necessary by fiscal 2026 (for calendar 2024 payments following the expiration of the federal waiver). The Department of Legislative Services advises that the special funds could be exhausted by fiscal 2026, which would imperil availability of funding for Medicaid from this source in fiscal 2026.

Special fund revenue is neither increased nor decreased but instead redistributed among agencies resulting in a decrease of $100.0 million in MHBE and an increase of $100.0 million in MDH. At least a portion of the funds transferred have been collected prior to the effective date of the bill and will be transferred from the MHBE Fund rather than transferred prior to distribution as specified in the bill.

Local Effect: None.

Program Description/Recent History: Chapters 37 and 38 of 2018 established a health insurance provider fee assessment on certain entities (insurers, nonprofit health service plans, health maintenance organizations, dental plan organizations, fraternal benefit organizations, Medicaid managed care organizations, and any other person subject to State regulation that provides a product that was expected to be subject to a federal provider fee). Under Chapters 37 and 38, the assessment was only to be in effect for calendar 2019 and was set at 2.75% on all amounts used to calculate the entity's premium tax liability (or the amount of the premium tax exemption value). Chapters 597 and 598 of 2019 extended the assessment through calendar 2023 but set the amount of the assessment at 1% for calendar 2020 through 2023.

The health insurance provider assessment was expected to help support the costs of a State Reinsurance Program, authorized through an approved State Innovation Waiver under § 1332 of the federal Patient Protection and Affordable Care Act. In calendar 2019, the assessment generated approximately $327.5 million. In calendar 2020, the 1% provider assessment generated approximately $118.5 million.

Although enacted to support the State Reinsurance Program, federal pass-through funds (federal funding that would have been provided to Maryland residents in the form of advanced premium tax credits in the absence of the reinsurance program) provided for the program were sufficient to cover calendar 2019 reinsurance payments. The most recent actuarial analysis by Lewis & Ellis (released in calendar 2020) anticipates that federal pass-through funds will be more than sufficient to cover the reinsurance payments through calendar 2023 (the end of the waiver period). Under the current actuarial analysis of the State Reinsurance Program, the assessment would not be used to support the costs of the program until calendar 2024, when the waiver is expired and federal pass-through funds are no longer available. However, a recent estimate of federal pass-through fund availability indicates that the assessment could be required to support a portion of the costs of the program as early as calendar 2022.

Chapters 104 and 105 of 2020 required MHBE to submit a report on State-based individual market subsidies for health insurance based on the likely availability of the assessment funds for other purposes.

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

Analysis prepared by: Tonya D. Zimmerman

Slow Phase-in of Revenue Volatility Adjustment

Provision in the Bill: Reduces, from $80.0 million to $0, the amount of projected nonwithholding income tax revenues that must, under certain circumstances, be subtracted from the amount of general fund revenues available for appropriation in fiscal 2022. Phase-in of the revenue volatility adjustment in the out-years is unaffected.

Agency: State Reserve Fund

Type of Action: Revenue action

Fiscal Impact:	($ in millions) **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Rev	$0	$80.0	$0	$0	$0	$0
SF Rev	$0	($80.0)	$0	$0	$0	$0

State Effect: General fund revenues increase by $80.0 million in fiscal 2022 due to the one-time reduction in the revenue volatility adjustment. Special fund revenues for the Revenue Stabilization Account (Rainy Day Fund) decrease correspondingly.

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 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.

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. Chapter 538 of 2020 (BRFA of 2020) delayed the full phase-in to 2.0% from fiscal 2022 until fiscal 2026 and established specific dollar amounts for the cap per year until a maximum of 2.0% of general fund revenues is achieved beginning in fiscal 2026, with a $0 adjustment in fiscal 2021.

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

Analysis prepared by: Rebecca J. Ruff

Alter Allowable Uses of General Obligation Bond Sale Premiums

Provisions in the Bill: Expand the allowable uses of general obligation (GO) bond sale premiums to include reducing the principal amount of current or future sales, supporting capital projects included in previous GO bond authorizations, and for fiscal 2021 through 2023 only, supporting capital projects authorized *subsequent* to the issuance of the GO bonds.

Agency: State Treasurer's Office (STO)

Type of Action: Change use of special funds

State Effect: Allowing bond sale premiums to reduce the principal amount issued of a subsequent sale could reduce the par value of bonds issued and reduce out-year debt service costs by an indeterminate amount. Other provisions have no fiscal effect since they shift cash flows for capital projects among different bond sales. State expenditures could decrease to the extent that the State would have been required to pay arbitrage rebates to the Internal Revenue Services as a result of requiring that bond premiums support debt service.

Local Effect: None.

Program Description/Recent History: The GO bond program is administered by STO, and GO bonds are issued by the Board of Public Works. For over a decade, tax-exempt GO bond sales have realized proceeds in excess of the par value of the bonds. These excess proceeds are referred to as bond sale premiums. In the most recent bond sale in July 2020, the State issued $540 million in bonds that realized $721 million in proceeds. After deducting the underwriter's discount and cost of issuance, the sale realized a $180 million premium. State law requires that any premiums realized be deposited into the Annuity Bond Fund to pay the bonds' debt service costs.

In 2020, bond counsel revised its opinion concerning the use of premiums realized in tax-exempt bond sales. The new advice limits the amount of premiums that can be used for debt service to capitalized interest, which bond counsel defines as the first three years' interest payments. Some of Maryland GO bond sales have generated premiums in excess of three years' debt service payments.

Location of Provisions in the Bill: Section 1 (pp. 21-22)

Analysis prepared by: Patrick S. Frank

Require Local Cost Share for Erroneously Convicted Individuals

Provision in the Bill: Requires that local governments be responsible for 50% of any payments owed to an individual for an erroneous conviction settlement entered into by the Board of Public Works (BPW) under the existing process for such payments. This local cost share requirement applies to all settlements entered into beginning in fiscal 2021.

Agency: Board of Public Works

Type of Action: Cost containment

State Effect: General fund expenditures are reduced to the extent any awards are entered into beginning in fiscal 2021; however, the effect in any particular year cannot be predicted, as the amount and number of awards vary substantially by year and circumstances. *For illustrative purposes*, BPW awarded 10 individuals grants in fiscal 2020 with an average annual award of approximately $350,000. Eight of the 10 grants will be paid for seven years. If this provision had been in effect for fiscal 2020, general fund expenditures would have been reduced by approximately $175,000 annually, per grant, with most of those reductions lasting seven years.

Local Effect: This provision increases local expenditures by creating a local cost share of 50% of each erroneous conviction grant awarded by BPW beginning in fiscal 2021. The amount of any increase in local spending depends on the number and amount of any awards.

Program Description/Recent History: Subject to certain requirements, BPW may grant to an individual erroneously convicted, sentenced, and confined under State law for a crime the individual did not commit an amount commensurate with the actual damages sustained by the individual, and may grant a reasonable amount for any financial or other appropriate counseling for the individual, due to the confinement. Chapters 799 and 800 of 2017 broadened eligibility for an award to add individuals who may not have received a gubernatorial pardon but have received a State's Attorney certification that the individual's conviction was in error.

While the law does not calculate how much should be awarded, recent BPW actions provide a framework. Each individual receives (1) the median Maryland household income at the time of the grant award, which was approximately $84,000 in 2020 according to the U.S. Census, for each year that they were incarcerated; (2) approximately $5,600 for psychotherapy; and (3) $5,000 for financial counseling. Annual payments are for three years if the individual is Medicare-eligible or for seven years if the individual is not.

There were 10 awards in fiscal 2020 to individuals that had been incarcerated for a total of 260 years. Awards totaled $22 million, with an average annual individual award of approximately $350,000. Prior to fiscal 2020, the most recent award was in fiscal 2005.

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

Analysis prepared by: Patrick S. Frank

Require Transfer of Certain Revenues to Education Trust Fund in Fiscal 2021 Only

Provision in the Bill: Requires, in fiscal 2021 only, a transfer of marketplace facilitator revenues and revenues collected through out-of-state vendor sales taxes to the Education Trust Fund (ETF) to fund prior year obligations ($144.6 million) and a fiscal 2021 shortfall ($30.3 million) for public education grants. These revenues would otherwise have gone to the Blueprint for Maryland's Future Fund. The Governor's fiscal 2022 budget includes deficiency appropriations for these amounts and purposes, contingent on the enactment of legislation allowing such a transfer.

Agency: Maryland State Department of Education

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	($174.8)	$0	$0	$0	$0	$0
SF Exp	$174.8	$0	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $174.8 million in fiscal 2021 because general funds would otherwise have been required to cover the expenditures associated with the shortfall in ETF revenues. Absent the provision, special fund expenditures for ETF in fiscal 2021 would be $174.8 million less due to the shortfall in that fund. Therefore, with the transfer, special fund expenditures for ETF increase by $174.8 million in fiscal 2021. However, the transfer in fiscal 2021 leaves $174.8 million less available for expenditure in future years and will result in lower special fund expenditures and higher general fund expenditures when the balance in the Blueprint for Maryland's Future Fund is not adequate to fund planned enhancements to education aid.

Local Effect: None.

Program Description/Recent History: Article XIX of the Maryland Constitution provides for State funding for public education from gaming revenues. ETF was established during the 2007 special session as part of the video lottery terminal (VLT) legislation (Chapter 4) to receive a portion of VLT revenues. Chapter 771 of 2019 established the Blueprint for Maryland's Future Fund, which receives proceeds from market facilitator revenues and out-of-state vendor sales taxes.

Due to the COVID-19 pandemic and related closures and reduced operations, gaming proceeds fell short of anticipated revenue, resulting in an estimated shortfall of $144.6 million in fiscal 2020 and $30.3 million in fiscal 2021.

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

Analysis prepared by: Laura H. Hyde

Increase Local Cost Share of State Department of Assessments and Taxation Expenses

Provisions in the Bill: Increase, from 50% to 60%, the amount that each county and Baltimore City must reimburse the State Department of Assessments and Taxation (SDAT) for the costs of real property valuation, business personal property valuation, and information technology (IT), in fiscal 2022. The local cost share is further increased by 10 percentage points per year, reaching a maximum of 90% in fiscal 2025 and thereafter. The Governor's proposed fiscal 2022 budget includes $3.9 million in general fund reductions, contingent on the enactment of legislation that changes the funding formula for SDAT programs. It also includes authorization to process a special fund budget amendment to replace the general funds.

Agency: State Department of Assessments and Taxation

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Rev	$0	$3.9	$7.9	$11.8	$15.8	$15.8
GF Exp	$0	($3.9)	($7.9)	($11.8)	($15.8)	($15.8)
SF Exp	$0	$3.9	$7.9	$11.8	$15.8	$15.8

State Effect: General fund expenditures for SDAT decrease by $3.9 million in fiscal 2022 as a result of the increase in the local share of SDAT costs, with a corresponding increase in special fund revenues and expenditures. Future years reflect further increases in local cost share.

Local Effect: Local government expenditures increase by $3.9 million in fiscal 2022 and by additional amounts in subsequent fiscal years, reaching $15.8 million by fiscal 2025. Under current law, local governments will reimburse SDAT a total of $19.7 million in fiscal 2022. The impact on local expenditures by county for fiscal 2022 is shown in **Exhibit 1.**

Program Description: SDAT's Real Property Valuation and Business Personal Property Valuation programs conduct all residential and commercial property assessments in the State. Under current law, the State and local units share the costs of conducting property tax assessments equally. Assessments are conducted by SDAT staff, and local governments levy the appropriate tax based on the assessment.

Recent History: Prior to fiscal 2012, the State paid for the entirety of SDAT property tax assessments and operations. Under a provision in the Budget Reconciliation and Financing Act of 2011, for fiscal 2012 and 2013, local jurisdictions were required to cover 90% of expenditures for SDAT assessments and IT expenditures. The current 50/50 split has been in place since fiscal 2014.

Exhibit 1
County Cost Sharing Totals
Fiscal 2022

County	Current 50/50	Proposed 60/40	Additional Local Share
Allegany	$341,608	$409,930	$68,322
Anne Arundel	1,889,318	2,267,181	377,864
Baltimore City	1,982,290	2,378,748	396,458
Baltimore	2,568,993	3,082,792	513,799
Calvert	348,837	418,604	69,767
Caroline	129,327	155,192	25,865
Carroll	570,958	685,150	114,192
Cecil	397,050	476,460	79,410
Charles	555,738	666,885	111,148
Dorchester	179,594	215,513	35,919
Frederick	803,525	964,230	160,705
Garrett	247,004	296,405	49,401
Harford	858,821	1,030,586	171,764
Howard	964,541	1,157,449	192,908
Kent	104,522	125,426	20,904
Montgomery	2,922,801	3,507,362	584,560
Prince George’s	2,513,442	3,016,130	502,688
Queen Anne’s	204,623	245,548	40,925
St. Mary’s	411,797	494,156	82,359
Somerset	144,273	173,127	28,855
Talbot	166,164	199,396	33,233
Washington	512,035	614,442	102,407
Wicomico	387,395	464,875	77,479
Worcester	535,440	642,528	107,088
Total	**$19,740,094**	**$23,688,113**	**$3,948,020**

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

Source: Department of Legislative Services

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

Analysis prepared by: Samuel M. Quist

Divert Transfer Tax Revenue

Provisions in the Bill: Extend the authorization, for fiscal 2022 only, to use general obligation (GO) bonds in place of State transfer tax revenues for capital-eligible programs, provided that bonds are authorized to replace transferred funds on a one-for-one basis. The Governor is then allowed to direct transfer tax revenues to the general fund. The Governor's proposed fiscal 2022 budget includes $100.6 million in general fund reductions, contingent on the enactment of legislation allocating transfer tax revenues to the general fund and replacing funding with GO bonds.

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

Type of Action: Revenue action

Fiscal			*($ in millions)*			
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Rev	$0	$100.6	$0	$0	$0	$0
SF Rev	$0	($100.6)	$0	$0	$0	$0
SF Exp	$0	($100.6)	$0	$0	$0	$0

State Effect: In fiscal 2022 only, general fund revenues increase by $100.6 million. Special fund revenues and expenditures from the transfer tax decrease correspondingly. The allocation of the special fund reduction is $69.6 million in DNR and $31.0 million in MDA. GO bond expenditures do not increase, as the required spending (or more for a couple of programs) is included in the capital budget and within the debt affordability limit; however, other projects may have been delayed. Specifically, GO bond expenditures must include $100.6 million to replace the programmatic uses of special funds as follows:

- *Department of Natural Resources:* $34,000,000 for Program Open Space (POS) – Stateside Acquisition, $17,000,000 for Rural Legacy Program, $9,696,000 for the Natural Resources Development Fund, and $8,871,000 for Maryland Environmental Service's Infrastructure Improvement Fund water and wastewater projects on Department of Natural Resources' lands; and
- *Maryland Department of Agriculture:* $31,000,000 for the Maryland Agricultural Land Preservation Program.

Local Effect: There is no local effect. The special funds directed to the general fund are replaced with an equal amount of GO bond expenditures.

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 GO bond authorizations are credited to the Annuity Bond Fund.
- Second, before any program-specific allocations are made, 3% of the transfer tax is distributed to DNR and the other agencies involved in POS for 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, the Maryland Agricultural Land Preservation Foundation, and the Heritage Conservation Fund.

Recent History: Chapter 487 of 2009 (Budget Reconciliation and Financing Act of 2009) provided authorization for fiscal 2011 through 2013 to use GO bonds in place of State transfer tax revenues for capital-eligible programs, provided that bonds were authorized to replace transferred funds on a one-for-one basis. The State was then allowed to direct transfer tax revenues to the general fund.

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

Analysis prepared by: Andrew D. Gray

Authorize Transfer of Fund Balance from the State Unemployment Insurance Reserve Account to the General Fund in Fiscal 2021

Provision in the Bill: Authorizes the transfer of $30.0 million from the balance of the reserve account established by the State to pay for unemployment benefits for State employees to the general fund, before June 30, 2021.

Agency: Statewide

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Rev	$30.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $30 million in fiscal 2021.

Local Effect: None.

Program Description: The State, as an employer, reimburses the Unemployment Insurance (UI) program dollar for dollar for benefits paid to eligible claimants in the prior quarter. The State maintains a fund for the purpose of making these payments to the UI program and budgets 28 cents for every $100 of payroll for this purpose. The projected fiscal 2021 closing balance of the fund is $67.8 million before this proposed transfer.

Recent History: An action approved by the Board of Public Works on July 1, 2020, reduced the fiscal 2021 appropriation for State agencies for this purpose by $13.1 million ($9.3 million general funds).

Location of Provision in the Bill: Section 2 (p. 30)

Analysis prepared by: Jason A. Kramer

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

Provision in the Bill: Limits growth in fiscal 2022 rates paid to providers with rates set by the Interagency Rates Committee (IRC) to no more than 4.0% over the rates in effect on December 31, 2020.

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

Type of Action: Cost containment

State Effect: Limiting rates set by IRC to no more than 4.0% over the rates in effect on December 31, 2020, results in no direct savings in fiscal 2022. The Governor's proposed fiscal 2022 budget provides funding for a rate increase of a maximum of 4.0% over the December 31, 2020 level for providers whose rates are set by IRC, $6.0 million in DHS and $450,000 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 Educations (MSDE), the Maryland Department of Health (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 2020 limited rate increases for providers who have rates set by IRC to no more than 2.0% over the rates in effect on June 30, 2020. Actions approved by the Board of Public Works on July 1, 2020, reduced funding budgeted for those provider rate increases ($3.1 million in DHS). However, a temporary 2.0% rate increase was provided for the period January 1, 2021, through June 30, 2021, for providers who have rates set by IRC. A deficiency appropriation provides funding in DHS for this rate increase ($1.5 million).

Location of Provision in the Bill: Section 3 (p. 30)

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

Authorize Transfer of Fund Balance from State Board of Pharmacy Fund to the Office of Controlled Substances Administration

Provision in the Bill: Authorizes the transfer of $500,000 from the balance in the State Board of Pharmacy Fund to the Office of Controlled Substances Administration (OCSA) in the Maryland Department of Health (MDH) to reduce general fund expenditures supporting the program. The Governor's proposed fiscal 2022 budget includes a $500,000 general fund reduction, contingent on the enactment of legislation authorizing the transfer. It also includes authorization to process a special fund budget amendment to replace the general funds.

Agency: Maryland Department of Health

Type of Action: Change use of special funds

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($0.5)	$0	$0	$0	$0
SF Exp	$0	$0.5	$0	$0	$0	$0

State Effect: OCSA general fund expenditures decrease by $500,000 in fiscal 2022. OCSA special fund expenditures increase correspondingly in fiscal 2022. Less fund balance is available in the State Board of Pharmacy Fund, which may affect board expenditures in future years (the timing of any such impact is likely delayed, potentially beyond the period covered by this fiscal and policy note, and has not been accounted for above). Overall, special fund revenues are not affected, just reallocated within MDH.

Local Effect: None.

Program Description: The State Board of Pharmacy provides licensing and regulatory oversight over pharmacists and pharmacies in Maryland. At the close of fiscal 2020, the State Board of Pharmacy Fund had a balance of $2.9 million. OCSA enforces the Controlled Dangerous Substance (CDS) Act and ensures the availability of drugs for legitimate medical and scientific purposes. OCSA also issues CDS permits to practitioners, researchers, and establishments that administer, prescribe, dispense, distribute, manufacture, conduct research on, and conduct chemical analysis of CDS.

Recent History: The Budget Reconciliation and Financing Act of 2020 (Chapter 538) authorized fund balance transfers of $750,000 in fiscal 2021 and 2022 from the State Board of Pharmacy Fund to replace general funds supporting access to small, rural pharmacies in the Medicaid program.

Location of Provision in the Bill: Section 4 (p. 30)

Analysis prepared by: Andrew C. Garrison and Anne P. Wagner

Authorize Transfer of Fund Balance from the State Board of Professional Counselors and Therapists Fund to the Behavioral Health Administration

Provision in the Bill: Authorizes the transfer of $2.0 million from the balance in the State Board of Professional Counselors and Therapists Fund to the Behavioral Health Administration (BHA) in the Maryland Department of Health (MDH). The Governor's proposed fiscal 2022 budget includes a $2.0 million general fund reduction in BHA, contingent on the enactment of legislation authorizing the transfer. It also includes authorization to process a special fund budget amendment to replace the general funds.

Agency: Maryland Department of Health

Type of Action: Change use of special funds

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($2.0)	$0	$0	$0	$0
SF Exp	$0	$2.0	$0	$0	$0	$0

State Effect: BHA general fund expenditures for community behavioral health services decrease by $2.0 million in fiscal 2022 only. BHA special fund expenditures increase correspondingly in fiscal 2022. Although less fund balance is available in the State Board of Professional Counselors and Therapists Fund, board expenditures in future years are not likely meaningfully affected by the transfer. Overall, special fund revenues are not affected, just reallocated within MDH.

Local Effect: None.

Program Description: The State Board of Professional Counselors and Therapists is responsible for the licensing and regulation of counselors and therapists in Maryland. The board's special fund is derived through licensing and renewal fees. At the close of fiscal 2020, the special fund had a balance of more than $2.6 million.

Location of Provision in the Bill: Section 5 (p. 30)

Analysis prepared by: Andrew C. Garrison

Authorize Transfer of Fund Balance from the Medical Cannabis Commission Fund to the Behavioral Health Administration

Provision in the Bill: Authorizes the transfer of $6.0 million from the balance in the Natalie M. LaPrade Medical Cannabis Commission (MMCC) Fund to the Behavioral Health Administration (BHA) in the Maryland Department of Health (MDH). The Governor's proposed fiscal 2022 budget includes a $6.0 million general fund reduction, contingent on the enactment of legislation authorizing the transfer. It also includes authorization to process a special fund budget amendment to replace the general funds.

Agency: Maryland Department of Health

Type of Action: Change use of special funds

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($6.0)	$0	$0	$0	$0
SF Exp	$0	$6.0	$0	$0	$0	$0

State Effect: BHA general fund expenditures decrease by $6.0 million in fiscal 2022 only. BHA special fund expenditures increase correspondingly in fiscal 2022. Although less fund balance is available in the MMCC Fund, commission expenditures in future years are not likely meaningfully affected by the transfer. Overall, special fund revenues are not affected, just reallocated within MDH.

Local Effect: None.

Program Description: MMCC oversees all licensing, registration, inspection, and testing measures pertaining to Maryland's medical cannabis program and provides relevant program information to patients, physicians, growers, dispensaries, processors, testing laboratories and caregivers. At the close of fiscal 2020, the MMCC Fund had a balance of $9.3 million.

Location of Provision in the Bill: Section 6 (p. 30)

Analysis prepared by: Andrew C. Garrison

Require Transfer of Consumer Protection Recoveries to General Fund

Provision in the Bill: Requires the Comptroller to transfer $10.0 million from Consumer Protection Recoveries to the general fund if the Office of the Attorney General (OAG) does not transfer that amount to the general fund on or before May 1, 2022.

Agency: Comptroller of Maryland; Office of the Attorney General

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Rev	$0	$10.0	$0	$0	$0	$0

State Effect: General fund revenues increase by $10.0 million in fiscal 2022 as a result of the transfer.

Local Effect: None.

Program Description: OAG maintains a nonbudgeted Consumer Protection Fund for maintaining settlement revenue received by the State. The estimated fund balance at the close of fiscal 2021 is $17.8 million.

Recent History: Chapter 23 of 2017, the Budget Reconciliation and Financing Act (BRFA), required the Comptroller to transfer up to $12.0 million from Consumer Protection Recoveries to the general fund from the recovery from the Volkswagen Clean Diesel settlement if OAG did not transfer that amount by May 1, 2017. The BRFA of 2017 also required the Comptroller to transfer up to $12.0 million from Consumer Protection Recoveries to the general fund from the Moody's Corporation settlement if OAG did not transfer that amount by May 1, 2017.

Location of Provision in the Bill: Section 9 (p. 31)

Analysis prepared by: Madelyn C. Miller

Transfer Unused Senatorial and Delegate Scholarship Funds to Need-Based Aid

Provisions in the Bill: Require funds not used by the end of the fiscal year subsequent to the fiscal year in which they were initially awarded under the Senatorial Scholarship Program and the Delegate Scholarship Program to be transferred to the Need-Based Student Financial Assistance Fund.

Agency: Maryland Higher Education Commission

Type of Action: Miscellaneous

State Effect: No net change in general fund expenditures. Special fund revenues and expenditures increase commensurately from any such transfers. The timing and amounts of potential transfers cannot be determined.

Local Effect: None.

Program Description: The State of Maryland Delegate Scholarship is offered by the local State delegates to Maryland residents who plan to pursue a postsecondary credential on a full-time or part-time basis at a two-year or four-year Maryland college, university, or private career school. The Senatorial Scholarship is available to current high school seniors and full-time and part-time degree-seeking undergraduates and graduate students. Under current law, any funds appropriated for scholarships that are not spent in that fiscal year are retained to be used by the awarding delegate or senator in subsequent years.

Location of Provisions in the Bill: Section 1 (pp. 12-13)

Analysis prepared by: Ian Klein

Reduce Appropriation to Revenue Stabilization Account

Provision in the Bill: Reduces the fiscal 2022 funding that the Governor must provide to the Revenue Stabilization Account (Rainy Day Fund) by $422.0 million. The Governor's proposed fiscal 2022 budget includes a $422,024,965 general fund reduction, contingent on the enactment of legislation to maintain a fund balance equivalent to 5.0% of projected fiscal 2022 general fund revenues.

Agency: State Reserve Fund

Type of Action: Miscellaneous

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	$0	($422.0)	$0	$0	$0	$0

State Effect: General fund expenditures decrease by $422.0 million in fiscal 2022 due to reducing the required Rainy Day Fund appropriation from $525.8 million to $103.8 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 2022 with an estimated balance equivalent to at least 5.0% of general fund revenues. Without the proposed reduction, the ending balance for the fund is estimated at 7.1% of general fund revenues.

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

Analysis prepared by: Rebecca J. Ruff

Authorize Use of Local Reserve Account for COVID-19 Pandemic Response and Require Repayment

Provisions in the Bill: Authorize certain State agencies to temporarily charge expenditures related to the COVID-19 response that are eligible for reimbursement from the Federal Emergency Management Agency's (FEMA) Public Assistance process to the Local Reserve Account. Require that the Local Reserve Account be reimbursed once FEMA revenues are received. Require that any charges not fully reimbursed by FEMA Public Assistance be reimbursed by the general fund at the Maryland General Assembly session following a FEMA determination.

Agency: Department of Budget and Management; Maryland Department of Health; Maryland Emergency Management Agency (Military Department)

Type of Action: Miscellaneous

State Effect: The provision does have any direct fiscal impact, but it does avoid the need to forward-fund pandemic-related expenses with general funds. The State has an estimated $550 million in fiscal 2020 expenses related to the COVID-19 pandemic response that are believed to be eligible for FEMA reimbursement. To date, $341 million has been received, leaving approximately $209 million in spending to potentially be charged against the Local Reserve Account in order to close out fiscal 2020. The current estimated funding request for fiscal 2021 is $200 million.

Local Effect: None. The Comptroller has indicated that local distributions will be made on time and that if the account were for some reason short, monies would come out of the general fund side of the income tax that month, even if that meant showing a temporary negative general fund amount. Monthly distributions over the next six months average $550 million per month. The cash balance as of December was $1.5 billion due, in part, to the fact that distributions are not made to the local governments in December (or April). At the end of November, the cash balance was $956 million.

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.

FEMA's Public Assistance program requires the State to fund 100% of disaster relief costs and then request reimbursement for 75% of eligible expenses. The provision would allow the State to forward-fund the 75% of costs expected to be reimbursed from the Local Reserve Account, freeing up general fund resources to be used elsewhere.

Recent History: The State has transferred funds from this account to support general fund spending on four occasions since fiscal 2009. Repayment plans are in place for two of the transfers. Chapter 489 of 2015 required annual $10 million repayments for $100 million borrowed that same year to be paid via revenue transfer for fiscal 2016 through 2025. Chapter 10 of 2018 (the Budget Reconciliation and Financing Act (BRFA) of 2018) extended those $10 million reimbursements indefinitely to reduce the total unfunded liability, which was $739 million as of January 2020. Chapter 538 of 2020 (BRFA of 2020) altered the repayment of $200 million, borrowed in 2010, to be repaid via $10 million annual revenue transfers beginning in fiscal 2026.

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

Analysis prepared by: Rebecca J. Ruff

Reduce Printing of Governor's Fiscal 2022 Budget Books

Provision in the Bill: Authorizes the Governor to provide a reduced number of printed copies of the fiscal 2022 budget books to the Maryland General Assembly and the Department of Legislative Services (DLS) due to public health precautions required by the COVID-19 pandemic.

Agency: Department of Budget and Management (DBM)

Type of Action: Miscellaneous

State Effect: General fund expenditures decrease in fiscal 2021 to the extent that the Governor chooses not to print one copy of the fiscal 2022 budget books for each member of the General Assembly and 80 copies for DLS. DBM has already distributed some printed copies and has published the required information on its website with existing resources.

Local Effect: None.

Program Description: On submission of the budget bill, the Governor must provide 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 2020 repealed a requirement that specified salary detail and Managing for Results submissions be included in the annual printed copies of the budget books and instead required this information be provided on the DBM website with the remaining required information in the budget books.

Location of Provision in the Bill: Section 8 (p. 31)

Analysis prepared by: Anne P. Wagner

Require Certain Local Education Maintenance of Effort in Fiscal 2022 Only

Provision in the Bill: Requires that, in fiscal 2022 only, in order for school systems to receive a one-time education grant, the county government (including Baltimore City) must appropriate local funds to the boards of education operating budgets for fiscal 2022 that exceed local funds appropriated in fiscal 2021.

Agency: Maryland State Department of Education

Type of Action: Miscellaneous

State Effect: To the extent that county governments do not appropriate sufficient local funds to meet the requirement, special fund expenditures from the Blueprint for Maryland's Future Fund decrease for the one-time hold harmless education grants in fiscal 2022. The authorization to use the Blueprint for Maryland's Future Fund in fiscal 2022 for these one-time grants is found in Section 1, pages 4 and 5, of this bill.

Local Effect: Counties that under current maintenance of effort (MOE) requirements could reduce their total local appropriation to the board of education in fiscal 2022 (compared to fiscal 2021) must appropriate more local funds in fiscal 2022 in order for the board of education to receive the hold harmless grant. **Exhibit 1** shows the amount of hold harmless grants (for declining enrollment and special education transportation) each school system will receive if the county meets the additional funding requirement.

In addition, Exhibit 1 shows the 12 counties that would need to exceed their required fiscal 2022 MOE appropriation due to significant decreases in enrollment in the 2020-2021 school year (compared to the prior school year). Under current law, these 12 counties are able to meet their fiscal 2022 MOE required amount with a *total local appropriation* that is *less* than the amount provided in fiscal 2021. Twelve counties are projected in fiscal 2022 to exceed their fiscal 2021 total local appropriation under current MOE law and, therefore, are not affected. Exhibit 1 also shows that a smaller number of counties (9) would need to exceed their fiscal 2021 MOE required amount in fiscal 2022 under the bill's provision in order for their school systems to receive the State grant. With the veto override of House Bill 1300 of 2020 (Chapter 36 of 2021), beginning in fiscal 2022, the MOE required amount is calculated using the greater of the most recent September 30 enrollment count or the three-year average enrollment.

Program Description: Minimum annual appropriations from each county (including Baltimore City) to the local school system are governed by an MOE provision under State law. This provision requires each county to provide, at a minimum, the greater of (1) the local share of the foundation amount, which is a uniform percentage of the local wealth base applicable to all counties or (2) the per pupil amount provided by the county in the previous year. Counties may request that nonrecurring costs be excluded from the per pupil calculation subject to State board approval.

Exhibit 1
Hold Harmless Grant and Additional Local Funds Required for School System to Receive Grant
Fiscal 2022

		Additional Local Funds Needed to Meet Requirement	
	One-time State Hold Harmless Grant	Above FY 2022 Minimum MOE	Above FY 2021 MOE
Allegany	$2,823,287	$0	$0
Anne Arundel	1,977,000	0	1,513,749
Baltimore City	2,868,000	0	0
Baltimore	31,207,966	12,907,079	2,804,381
Calvert	5,305,701	2,262,031	3,240,581
Caroline	3,078,226	0	0
Carroll	6,972,592	2,444,155	0
Cecil	5,309,130	983,254	1,982,635
Charles	878,000	2,031,174	1,742,532
Dorchester	94,000	0	0
Frederick	2,070,068	1,721,115	7,000,176
Garrett	1,652,142	0	0
Harford	4,423,581	3,514,031	16,721,320
Howard	7,855,975	15,775,770	9,952,834
Kent	466,806	15,021	0
Montgomery	29,701,255	22,155,966	0
Prince George's*	84,175,460	11,642,044	0
Queen Anne's	3,076,725	0	0
St. Mary's	6,181,911	1,093,513	2,687,492
Somerset	45,000	0	0
Talbot	825,479	0	0
Washington	7,678,645	0	0
Wicomico	4,949,632	0	0
Worcester	45,000	0	0
Total	**$213,661,581**	**$76,545,152**	**$47,645,700**

MOE: maintenance of effort

*Fiscal 2022 additional local funds adjusted for estimated $77.8 million in local energy tax and telecommunications tax funds that are dedicated to schools but not subject to MOE.

Note: Fiscal 2022 MOE calculated using the *greater of* the September 30, 2020 enrollment count and the three-year average September 30 enrollment count (2018, 2019, and 2020).

Source: Department of Legislative Services

Location of Provision in the Bill: Section 10 (p. 31)

Analysis prepared by: Laura H. Hyde and Scott P. Gates

Allow Certain State Government Retirees to Exceed Earnings Limit

Provision in the Bill: Exempts retirees of the Maryland Department of Health (MDH) or the Maryland Department of Labor (MDL) who are rehired by those same agencies for specified purposes from a statutory earnings limitation that applies to retirees of the State Retirement and Pension System (SRPS). Specifically, if an MDH retiree is rehired for no more than two years to assist in the administration of federally funded grants related to the COVID-19 pandemic, or if an MDL retiree is rehired for no more than two years to assist with the administration of unemployment benefits related to the COVID-19 pandemic, they are exempt from an offset to their retirement benefit if their earnings exceed statutory limits. **The exemption applies retroactively to January 1, 2020, and terminates December 31, 2021.**

Agencies: Maryland Department of Health; Maryland Department of Labor; State Retirement Agency

Type of Action: Miscellaneous

State Effect: As the provision is expected to apply to fewer than 10 retirees, it has no discernible effect on State pension liabilities or employer contributions. MDL advises that it expects to hire 4 retirees, and MDH advises that it expects to hire 1 or 2. Any foregone offsets to the retirees' benefits resulting from the legislation, therefore, are sufficiently small that they have no discernible fiscal effect.

Local Effect: None.

Program Description: In general, SRPS retirees who receive a retirement benefit from the State may be reemployed, except that they may not be reemployed by the State or any participating SRPS employer within 45 days of retiring. In most cases, benefits paid to reemployed retirees are subject to a reduction if they are rehired by the same employer for whom they worked at the time of their retirement. The purpose of the reduction is to ensure that a retiree does not earn more in retirement than the retiree earned as an active member with the same employer. For members who retire directly from State service, the State is regarded as a single employer, so reemployment with any State agency activates the benefit reduction. Statute includes several broad exemptions from the offset for retirees who:

- have been retired for at least five years;
- retired with an average final compensation less than $25,000 and are reemployed on a permanent, temporary, or contractual basis; or
- are serving in any specified elected position.

There are also targeted exemptions for correctional officers, State police officers, nurses, and judges, as well as teachers and principals.

Recent History: None applicable.

Location of Provision in the Bill: Section 11 (pp. 31-32)

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

Require Transfer of Employees from Closed Correctional Services Facilities

Provision in the Bill: Requires the Department of Public Safety and Correctional Services (DPSCS) to reassign employees from any facilities closed effective June 30, 2021, to existing vacancies at other facilities in comparable job classifications, without loss of status, compensation, or benefits. The transfers must be effective no later than July 1, 2021.

Agency: Department of Public Safety and Correctional Services

Type of Action: Miscellaneous

State Effect: No direct savings; while nominal savings may be realized due to reduced overtime in the facilities receiving employees, employees are being transferred to already budgeted positions.

Local Effect: None.

Program Description/Recent History: DPSCS is responsible for holding State-sentenced offenders in custody and supervising those on parole and probation. Pre-release offenders are those at the end-stages of their sentences who are eligible for work-release opportunities. State pre-release offenders are serviced at multiple facilities across Maryland where they engage in re-entry programming and are able to leave to and return from an external job.

The average daily population (ADP) of inmates under DPSCS custody has declined steadily over the past decade. DPSCS closed or downsized several facilities during this time period in order to consolidate resources. Two pre-release facilities are scheduled for depopulation and transfer of employees by July 1, 2021, due to these same population factors: (1) Southern Maryland Pre-Release Unit (SMPRU) in Charlotte Hall; and (2) Eastern Pre-Release Unit (EPRU) in Churchill. SMPRU has a November 2020 ADP of 85 offenders. EPRU has a November 2020 ADP of 89 offenders. In fiscal 2021, approximately 87 positions are authorized at these two facilities, 11 of which were vacant as of December 31, 2020.

Section 2-114 of the Correctional Services Article prevents an employee of DPSCS from being transferred or reassigned involuntarily to a work site that is more than 50 miles from the work site to which the employee previously was assigned. This provision provides a guarantee to employees at SMPRU and EPRU that they are entitled to reassignment at other DPSCS facilities without loss of status or compensation. Several qualifying facilities to which employees may be reassigned are within 50 miles of SMPRU and EPRU.

Location of Provision in the Bill: Section 12 (p. 32)

Analysis prepared by: Jacob C. Cash

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

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GENERAL FUND REVENUES						
Mandate Relief						
Reduce Mandated Appropriation for MHBE	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Subtotal – Mandate Relief	***0***	***3,000,000***	***3,000,000***	***3,000,000***	***3,000,000***	***3,000,000***
Fund Swaps, Cost Shifts, Cost Control, and Administrative Actions						
Slow Phase-in of Revenue Volatility Adjustment	0	80,000,000	0	0	0	0
Divert Transfer Tax Revenue	0	100,567,000	0	0	0	0
Authorize Transfer of State UI Reserve Account Balance in FY 2021	30,000,000	0	0	0	0	0
Require Transfer of Consumer Protection Recoveries to General Fund	0	10,000,000	0	0	0	0
Subtotal – Other Actions	***30,000,000***	***190,567,000***	***0***	***0***	***0***	***0***
TOTAL GENERAL FUND REVENUES	**30,000,000**	**193,567,000**	**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**
GENERAL FUND EXPENDITURES						
Mandate Relief						
Alter Mandate for OAG CPD to Special Funds	0	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Rebase and Alter Cade Funding Formula	0	(26,615,554)	(24,270,564)	(28,933,017)	(32,159,641)	(35,490,390)
Level Fund Sellinger Funding Formula and Alter Future Growth	0	(29,785,160)	(29,067,348)	(30,878,775)	(32,967,852)	(35,071,933)
Repeal Mandate for MLARP for Foster Care Recipients and Allow for Alternate Funding	0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Repeal Mandated Funding for MPBC	0	(775,594)	(1,207,618)	(1,607,399)	(1,990,819)	(2,388,042)
Eliminate Mandate for Fisheries R&D Fund in FY 2022	0	(1,794,000)	0	0	0	0
Reduce Mandated Funding for City of Annapolis	0	(383,000)	(404,147)	(414,943)	(425,890)	(436,991)
Eliminate the Pension Sweeper and OPEB Payments in FY 2022	0	(50,000,000)	0	1,932,000	2,016,000	2,100,000

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GENERAL FUND EXPENDITURES (Continued)						
Level Fund MSAC and Alter Future Growth	0	(2,907,484)	(4,313,211)	(4,735,343)	(5,175,312)	(5,649,807)
Restructure Transfer Tax Repayment Provisions	0	(43,860,950)	0	5,690,501	6,809,499	0
Increase Medicaid Deficit Assessment Permanently	(35,000,000)	(35,000,000)	(35,000,000)	(35,000,000)	(35,000,000)	(35,000,000)
Subtotal – Mandate Relief	***(35,000,000)***	***(191,921,742)***	***(95,062,888)***	***(94,746,976)***	***(99,694,015)***	***(112,737,163)***
Fund Swaps, Cost Shifts, Cost Control, and/or Administrative Actions						
Require Transfers of Reinsurance Provider Assessment Revenue to Medicaid	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)
Reduce Appropriation to Revenue Stabilization Account	0	(422,024,965)	0	0	0	0
Require Transfer of Certain Revenues to ETF in FY 2021	(174,845,017)	0	0	0	0	0
Increase Local Cost Share of SDAT Expenses	0	(3,948,020)	(7,896,038)	(11,844,056)	(15,792,075)	(15,792,075)
Transfer Fund Balance from Pharmacy Board to OCSA	0	(500,000)	0	0	0	0
Transfer Fund Balance from Counselors and Therapists Board to BHA	0	(2,000,000)	0	0	0	0
Transfer Fund Balance from the Medical Cannabis Commission to BHA	0	(6,000,000)	0	0	0	0
Subtotal – Other Actions	***(274,845,017)***	***(534,472,985)***	***(107,896,038)***	***(111,844,056)***	***(115,792,075)***	***(115,792,075)***
TOTAL GENERAL FUND EXPENDITURES	**(309,845,017)**	**(726,394,727)**	**(202,958,926)**	**(206,591,032)**	**(215,486,090)**	**(228,529,238)**
SPECIAL FUND REVENUES						
Mandate Relief						
Reduce Mandated Appropriation for MHBE	0	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Eliminate the Pension Sweeper and OPEB Payments in FY 2022	0	(50,000,000)	0	0	0	0
Restructure Transfer Tax Repayment Provisions	0	(43,860,950)	0	5,690,501	6,809,499	0
Increase Medicaid Deficit Assessment Permanently	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Subtotal – Mandate Relief	***35,000,000***	***(61,860,950)***	***32,000,000***	***37,690,501***	***38,809,499***	***32,000,000***
Fund Swaps, Cost Shifts, Cost Control, and/or Administrative Actions						
Slow Phase-in of Revenue Volatility Adjustment	0	(80,000,000)	0	0	0	0
Increase Local Cost Share of SDAT Expenses	0	3,948,020	7,896,038	11,844,056	15,792,075	15,792,075

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SPECIAL FUND REVENUES (Continued)						
Divert Transfer Tax Revenue	0	(100,567,000)	0	0	0	0
Subtotal – Other Actions	***0***	***(176,618,980)***	***7,896,038***	***11,844,056***	***15,792,075***	***15,792,075***
TOTAL SPECIAL FUND REVENUES	**35,000,000**	**(238,479,930)**	**39,896,038**	**49,534,557**	**54,601,574**	**47,792,075**
SPECIAL FUND EXPENDITURES						
Mandate Relief						
Reduce Mandated Appropriation for MHBE	0	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Eliminate Mandate for Fisheries R&D Fund in FY 2022	0	(1,794,000)	0	0	0	0
Eliminate the Pension Sweeper and OPEB Payments in FY 2022	0	0	0	184,000	192,000	200,000
Restructure Transfer Tax Repayment Provisions	0	(43,860,950)	0	5,690,501	6,809,499	0
Increase Medicaid Deficit Assessment Permanently	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Subtotal – Mandate Relief	***35,000,000***	***(13,654,950)***	***32,000,000***	***37,874,501***	***39,001,499***	***32,200,000***
Fund Swaps, Cost Shifts, Cost Control, and/or Administrative Actions						
Require Transfers of Reinsurance Provider Assessment Revenue to Medicaid	100,000,000	100,000,000	100,000,000	-	-	-
Require Transfer of Certain Revenues to ETF in FY 2021	174,845,017	0	0	0	0	0
Increase Local Cost Share of SDAT Expenses	0	3,948,020	7,896,038	11,844,056	15,792,075	15,792,075
Divert Transfer Tax Revenue	0	(100,567,000)	0	0	0	0
Transfer Fund Balance from Pharmacy Board to OCSA	0	500,000	0	0	0	0
Transfer Fund Balance from Counselors and Therapists Board to BHA	0	2,000,000	0	0	0	0
Transfer Fund Balance from the Medical Cannabis Commission to BHA	0	6,000,000	0	0	0	0
Subtotal – Other Actions	***274,845,017***	***11,881,020***	***107,896,038***	***11,844,056***	***15,792,075***	***15,792,075***
TOTAL SPECIAL FUND EXPENDITURES	**309,845,017**	**(1,773,930)**	**139,896,038**	**49,718,557**	**54,793,574**	**47,992,075**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
FEDERAL FUND REVENUES						
Reduce Mandated Appropriation for MHBE	0	(4,156,408)	(4,156,408)	(4,156,408)	(4,156,408)	(4,156,408)
TOTAL FEDERAL FUND REVENUES	**0**	**(4,156,408)**	**(4,156,408)**	**(4,156,408)**	**(4,156,408)**	**(4,156,408)**
FEDERAL FUND EXPENDITURES						
Reduce Mandated Appropriation for MHBE	0	(4,156,408)	(4,156,408)	(4,156,408)	(4,156,408)	(4,156,408)
Eliminate the Pension Sweeper and OPEB Payments in FY 2022	0	0	0	184,000	192,000	200,000
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(4,156,408)**	**(4,156,408)**	**(3,972,408)**	**(3,964,408)**	**(3,956,408)**

BHA: Behavioral Health Administration
CPD: Consumer Protection Division
ETF: Education Trust Fund
MHBE: Maryland Health Benefits Exchange
MLARP: Maryland Loan Assistance Repayment Program
MPBC: Maryland Public Broadcasting Commission:
MSAC: Maryland State Arts Council
OAG: Office of the Attorney General
OCSA: Office of Controlled Substances Administration
OPEB: Other Postemployment Benefits
R&D: research and development
SDAT: State Department of Assessments and Taxation
UI: Unemployment Insurance

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

Appendix C
Impact on Local Jurisdictions of Selected Provisions of the Budget Reconciliation and Financing Act of 2021
Fiscal 2022
($ in Dollars)

County	Community College Funding	Property Tax Assessment Cost Share	Total Impact
Allegany	-$798,075	-$68,322	-$866,397
Anne Arundel	-2,664,150	-377,864	-3,042,014
Baltimore City	0	-396,458	-396,458
Baltimore	-4,004,534	-513,799	-4,518,333
Calvert	-109,927	-69,767	-179,694
Caroline	-132,643	-25,865	-158,508
Carroll	-721,005	-114,192	-835,197
Cecil	-487,354	-79,410	-566,764
Charles	-385,035	-111,148	-496,183
Dorchester	-86,692	-35,919	-122,611
Frederick	-1,514,894	-160,705	-1,675,599
Garrett	-180,967	-49,401	-230,368
Harford	-1,128,019	-171,764	-1,299,783
Howard	-2,929,901	-192,908	-3,122,809
Kent	-38,930	-20,904	-59,834
Montgomery	-4,757,389	-584,560	-5,341,949
Prince George’s	-4,105,361	-502,688	-4,608,049
Queen Anne’s	-158,420	-40,925	-199,345
St. Mary’s	-116,079	-82,359	-198,438
Somerset	-88,695	-28,855	-117,550
Talbot	-139,864	-33,233	-173,097
Washington	-1,397,776	-102,407	-1,500,183
Wicomico	-471,159	-77,479	-548,638
Worcester	-193,604	-107,088	-300,692
Total	**-$26,610,475**	**-$3,948,020**	**-$30,558,495**

Notes: Numbers may not sum to total due to rounding. Impacts for community colleges serving multiple counties have been apportioned to each county.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2021

BILL NUMBER: HB589/SB493

PREPARED BY: Governor's Legislative Office

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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

OR

___ WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS