Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 589 (The Speaker)(By Request - Administration)
Appropriations 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 $35.0 million in FY 2021 and $3.1 million in FY 2022. General fund expenditures decrease by $324.9 million in FY 2021 and $105.3 million in FY 2022. Special fund revenues increase by $210.4 million in FY 2021 and by $206,000 in FY 2022. Special fund expenditures increase by $310.4 million in FY 2021 and by $219.4 million in FY 2022. Federal revenues and expenditures are also affected, as are nonbudgeted expenditures (not shown). 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	$35.0	$3.1	$3.0	$3.0	$3.0
SF Revenue	$210.4	$0.2	$3.8	$3.8	$3.8
FF Revenue	$0	($0.2)	$3.8	$3.8	$3.8
GF Expenditure	($324.9)	($105.3)	($0.7)	($0.7)	$2.1
SF Expenditure	$310.4	$219.4	$3.8	$3.8	$3.8
FF Expenditure	$0	($0.2)	$3.8	$3.8	$3.8
Net Effect	$259.9	($110.8)	$3.7	$3.7	$0.9

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. **This bill imposes a mandate on a unit of local government.**

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. (The attached assessment does not reflect amendments to the bill.)

Analysis

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

Mandate Relief

- 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.
- Alters the requirement that the fiscal 2022 operating budget of the Maryland Transit Administration increase by at least 4.4% to instead require that it equal at least the fiscal 2021 appropriation.

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

- Alters the use of proceeds from certain raffles conducted by a charitable foundation affiliated with the Washington Football Team and expands access to the purchase of the raffle tickets by, among other things, repealing the prohibition against raffle tickets being sold on the Internet. These provisions terminate June 30, 2024.
- Waives the requirement that the Maryland Stadium Authority submit economic and tax impact reports for specified facilities for fiscal 2021 only.
- Expands the allowable uses of the Blueprint for Maryland's Future Fund.
- Alters funding for the Maryland Community Health Resources Commission and the Senior Prescription Drug Assistance Program.
- Requires the transfer, in fiscal 2021 and 2022, of $100.0 million of health insurance provider fee assessment revenues to Medicaid.
- Alters transfer tax repayments to reallocate existing expenditures between the Department of Natural Resources, the Maryland Department of Agriculture, and the Maryland Agricultural and Resource-Based Industry Development Corporation from fiscal 2022 through 2030.
- 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 January 1, 2021.
- Authorizes the transfer of $1.5 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).
- Authorizes the transfer of $2.0 million from the balance in the Natalie M. LaPrade Medical Cannabis Commission Fund to BHA in MDH.
- Authorizes the transfer of $5.0 million from the Rate Stabilization Fund to the general fund in fiscal 2021.
- Requires the reversion of $235,000 in improperly encumbered general funds from the Maryland State Department of Education from July 2017.
- Reduces fiscal 2021 general fund spending by $1,784,036 due to overbudgeting for fiscal 2021 statewide salary actions.
- Reduces $5.0 million in general funds accrued at the end of fiscal 2020 in BHA that are not needed to pay fiscal 2020 bills.
- Reduces $7.5 million of funds accrued at the end of fiscal 2020 for nonpublic placements that are not needed to pay fiscal 2020 bills.
- Requires the Maryland-National Capital Park and Planning Commission to transfer up to $100,000 from the park taxes balance collected in Prince George’s County to the State general fund by October 1, 2021.

Administrative and Other Actions

- Reduces the percentage of eligible costs that may be paid from the Bay Restoration Fund Wastewater Account for upgrading privately owned wastewater facilities from up to 100% to up to 50%.
- Establishes a Maternal and Child Health Population Health Improvement Fund to invest in maternal and child population health improvements in the Medical Care Programs Administration (Medicaid) and the Prevention and Health Promotion Administration in MDH through December 2025.
- Requires that fiscal 2022 nonwithholding income tax revenues that exceed the capped estimate and are not needed to close a shortfall in general fund revenues be used to provide a cost-of-living adjustment of up to 4.5% for certain employees in fiscal 2023.
- Clarifies and streamlines existing special use assessment rates for land actively used as a country club or golf course that has a special use assessment agreement with the State Department of Assessments and Taxation.

- 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 $468.3 million, 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	35.0	0.1
Revenue Subtotal	***$35.0***	***$3.1***
Expenditures		
Mandate Relief	$0.0	($1.8)
Other Actions	(324.9)	(103.5)
Expenditure Subtotal	***($324.9)***	***($105.3)***
Total Impact	**$359.9**	**$108.4**

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

Source: Department of Legislative Services

A discussion of each provision in the bill is provided in **Appendix A**. 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** 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: (1) local governments may receive additional grant funding for youth and amateur sports from the Michael Erin Busch Sports Fund from fiscal 2022 through 2024; (2) local governments receive less grant funding through certain conservation programs; and (3) additional funding is available to local school systems in the form of a one-time grant in fiscal 2022 if county governments, including Baltimore City, meet maintenance of effort requirements (see Exhibit 1 on page 50).

Additional Information

Prior Introductions: None.

Designated Cross File: SB 493 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): Department of Budget and Management; Comptroller's Office; Maryland State Department of Education; Department of Public Safety and Correctional Services; Maryland Health Benefit Exchange; Maryland Department of Health; Maryland Insurance Administration; Maryland Department of the Environment; Department of Natural Resources; Maryland Department of Labor; Maryland Department of Transportation; Department of Human Services; Department of Juvenile Services; State Department of Assessments and Taxation; Maryland Emergency Management Agency; Maryland Stadium Authority; Maryland-National Capital Park and Planning Commission; Maryland Municipal League; The Washington Football Team; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2021
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Revised - Other - July 20, 2021

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Appendix A – Contents

Mandate Relief

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

Administrative and Other Actions

Mandate Relief

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 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	*($ in millions)*					
Impact:	**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 purposes of this analysis, 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.

Location of Provision in the Bill: Section 2 (p. 28)

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 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 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 2 (p. 29)

Analysis prepared by: Andrew D. Gray

Alter Mandate for Maryland Transit Administration Operating Budget in Fiscal 2022 Only

Provision in the Bill: Alters the requirement that the fiscal 2022 operating budget of the Maryland Transit Administration (MTA) increase by at least 4.4% to instead require that it equal at least the fiscal 2021 appropriation. Supplemental Budget No. 4 includes amendments reducing a total of $38.0 million in special funds in the fiscal 2022 operating budget, contingent on the enactment of legislation altering the mandate. In addition, Supplemental Budget No. 4 includes a $150.0 million special fund appropriation for facilities and capital equipment, contingent on the enactment of legislation altering the mandate.

Agency: Maryland Transit Administration

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Exp	$0	$112.0	$0	$0	$0	$0

State Effect: Net special fund expenditures for MTA increase by $112.0 million in fiscal 2022, due to a decrease of $38.0 million in the MTA operating budget that is more than offset by an increase of $150.0 million in the MTA capital budget.

Program Description: MTA operates local buses, commuter buses, light rail, subway, commuter train service, and paratransit services in the Baltimore metropolitan area. MTA also directs funding and statewide assistance to locally operated transit systems in each of Maryland's 23 counties, Baltimore City, Annapolis, and Ocean City.

Recent History: The Maryland Metro/Transit Funding Act of 2018 (Chapters 351 and 352) requires the Governor, for fiscal 2020 through 2022, to include an appropriation for the operations of MTA that is least 4.4% greater than the prior year appropriation.

Senate Bill 199/House Bill 114, as passed by the General Assembly, require the Governor, for fiscal 2023 through 2029, to include an appropriation from the Transportation Trust Fund for the operations of MTA that may not be less than the fiscal 2022 appropriation for the operations of MTA.

Location of Provision in the Bill: Section 2 (pp. 46-47)

Analysis prepared by: Steven D. McCulloch

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

Alter Certain Raffle Requirements and Use of Related Proceeds through Fiscal 2024

Provisions in the Bill: Alter the use of proceeds from certain raffles conducted by a charitable foundation affiliated with the Washington Football Team to require that (1) 10% of proceeds from the raffles be deposited into the Michael Erin Busch Sports Fund and (2) remaining proceeds, after winnings are distributed and eligible costs paid, be used to benefit the residents of the common ownership and cooperative communities located within a one-mile radius of property owned or under control of the team, rather than for the benefit of residents of Prince George's County. The prohibition against raffle tickets being sold on the Internet or to individuals not present on the property is also removed, as is the requirement that the associated game be played in Prince George's County. These changes terminate June 30, 2024.

Agency: Maryland Stadium Authority (MSA)

Type of Action: Revenue action

State Effect: Special fund revenues for MSA increase from fiscal 2022 through 2024 to the extent that the raffles are held and required distributions are then made to the Michael Erin Busch Sports Fund. Special fund expenditures increase correspondingly as funds are used for authorized purposes – generally, grants and administrative costs. However, the amount of any such increase cannot be reliably estimated due to uncertainty regarding attendance and the impact of removing the prohibition against Internet sales or sales to individuals not present on the property.

Local Effect: Local governments may receive additional grant funding for youth and amateur sports from the Michael Erin Busch Sports Fund from fiscal 2022 through 2024. The amount cannot be reliably estimated, as discussed above.

Program Description: Chapter 99 of 2015 allows a charitable foundation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, is affiliated with a professional football team that plays its home games in Prince George's County, and has an office and conducts operations in Prince George's County to conduct a raffle in Prince George's County. Prizes are limited to 50% of proceeds. Proceeds are required to be used to benefit Prince George's County residents, pay for prizes awarded to winners, and pay for reasonable costs for necessary equipment and supplies. Proceeds may not be used to support costs involved in conducting the raffle, such as compensation to ticket sellers or individuals operating the raffle.

Following a successful veto override of 2020 legislation, Chapter 33 of 2021 established the Youth and Amateur Sports Grants Program, administered by MSA, to bring new youth and amateur sporting events to the State and attract sports fans, participants, and tourists. Chapter 33 also created the Michael Erin Busch Sports Fund, a special fund, to support the program. Beginning in fiscal 2021, $1.0 million in lottery revenues must be transferred to the Busch Fund each year. The actual fiscal 2021 transfer will fall short of $1.0 million as the veto override occurred more than halfway through the fiscal year and the Attorney General's Office has recommended proration of the transfer amount.

Recent History: The Washington Football Team advises that raffle proceeds were approximately $404,000 during the 2018 season and $339,000 during the 2019 season. This would have provided approximately $40,000 in fiscal 2019 and $34,000 in fiscal 2020 to the Michael Erin Busch Sports Fund had this provision been in effect. There were no raffles during the 2020 season. At this point, it is unclear what attendance will be during the 2021 season.

Location of Provisions in the Bill: Section 1 (pp. 6-9) and Section 18 (p. 52)

Analysis prepared by: Patrick S. Frank

Waive Maryland Stadium Authority Economic and Tax Impact Studies for Fiscal 2021 Only

Provision in the Bill: Waives the requirement that the Maryland Stadium Authority (MSA) submit economic and tax impact reports for the Baltimore City Convention Center (BCCC), Ocean City Convention Center (OCCC), Hippodrome Performing Arts facility, and Montgomery County Conference Center (MCCC) for fiscal 2021 only.

Agency: Maryland Stadium Authority

Type of Action: Cost containment; miscellaneous

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
NB Exp	$0	$0.02	$0	$0	$0	$0

State Effect: Nonbudgeted expenditures for MSA decrease by $20,000 in fiscal 2022. These funds support fiscal 2021 economic and tax impact studies that are not required. To date in fiscal 2021, these facilities have been closed due to the pandemic and it is unclear when they will open. Consequently, the impact of these facilities is expected to be negligible and no studies are needed.

Local Effect: None.

Program Description: Through MSA, the State supports debt service costs for BCCC, OCCC, MCCC, and the Hippodrome. The State also supports operating costs for BCCC and OCCC. State law requires that MSA annually report on the economic and tax impacts of these facilities.

Location of Provision in the Bill: Section 2 (p. 9)

Analysis prepared by: Patrick S. Frank

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 education aid 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, as well as funds for activities to address learning loss associated with COVID-19.

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 2 (pp. 9-11)

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

Modify Funding for the Maryland Community Health Resources Commission and the Senior Prescription Drug Assistance Program

Provisions in the Bill: Alter funding for the Maryland Community Health Resources Commission (MCHRC) and the Senior Prescription Drug Assistance Program (SPDAP).

For MCHRC, the provisions (1) maintain a minimum distribution of $8.0 million for MCHRC from the CareFirst premium tax exemption in fiscal 2022 only and (2) authorize diversion of the first $8.0 million in revenues collected from the health insurance provider assessment (created to support the reinsurance program) to MCHRC in fiscal 2023 and 2024. No dedicated funding is provided for MHCRC after fiscal 2024.

For SPDAP, the provisions (1) maintain a maximum distribution of $14.0 million for SPDAP from the CareFirst premium tax assessment in fiscal 2022; (2) authorize use of the Maryland Health Benefit Exchange (MHBE) Fund to support SPDAP in fiscal 2022 only; and (3) establish SPDAP as the sole recipient of support from the CareFirst premium tax exemption beginning in fiscal 2023.

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**
SF Rev	$0	$0	$0	$0	$0	$0
SF Exp	$0	$1.9	$0	$0	$0	$0

State Effect: Generally, the provisions reallocate existing special funds among programs and there is no net effect on overall special fund revenues. SPDAP special fund expenditures increase by $1.9 million in fiscal 2022 only due to authorization to use the MHBE Fund to support the program. These funds would otherwise likely not be spent and would instead accrue to the balance of the MHBE Fund. Absent another source of funding, MCHRC special fund revenues and expenditures decrease by $8.0 million in fiscal 2025 and 2026 (not shown above).

Local Effect: None.

Program Description: Maryland has offered various prescription drug assistance programs since 1979. Those programs were consolidated into SPDAP in 2005. SPDAP provides Medicare Part D premium assistance to low- and 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. 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.

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 2 (pp. 22-28)

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

Require Transfers of Reinsurance Provider Assessment Revenue to Medicaid

Provisions in the Bill: Require the transfer, in fiscal 2021 and 2022, of $100.0 million of the funds collected from the health insurance provider fee assessment to Medicaid. If sufficient funds are available, the Governor must transfer the available amount from the Maryland Health Benefit Exchange (MHBE) Fund. If the amount transferred by the Governor is less than $100.0 million, the Insurance Commissioner must transfer the remaining amount from health insurance provider fee assessment revenues. The purpose of the MHBE Fund is expanded to include providing funding for Medicaid in fiscal 2021 and 2022 only, consistent with the transfers. The 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 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.

Agencies: 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)	$0	$0	$0	$0
SF Exp	$100.0	$100.0	$0	$0	$0	$0

State Effect: Medicaid general fund expenditures decrease by $100.0 million in fiscal 2021 and 2022 due to the availability of special funds from the health insurance provider fee assessment. MDH special fund expenditures increase correspondingly.

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.

Local Effect: None.

Program Description: 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 and are expected to be sufficient to cover calendar 2020 reinsurance payments. 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 payments for calendar 2022 (which is expected to occur in fiscal 2024).

Recent History: Separate provisions in the Budget Reconciliation and Financing Act of 2021 authorize the use of the MBHE Fund to support a portion of the Senior Prescription Drug Assistance Program in fiscal 2022 only and divert the first $8.0 million in revenues from the health insurance provider assessment in fiscal 2023 and 2024 to support the Maryland Community Health Resources Commission.

Senate Bill 729/House Bill 780 of 2021, as passed by the General Assembly, authorize up to $20.0 million from the MHBE Fund, subject to available funds, to be used for a State-Based Young Adult Health Insurance Subsidies Pilot Program in calendar 2022 and 2023.

Senate Bill 172/House Bill 463 of 2021, as passed by the General Assembly, require the Governor to transfer $15.0 million from the MHBE Fund to the new Health Equity Resource Community Reserve Fund in fiscal 2023 through 2025.

Location of Provisions in the Bill: Section 2 (pp. 23-25, 27-28)

Analysis prepared by: Tonya D. Zimmerman

Alter Transfer Tax Repayments

Provisions in the Bill: Alter transfer tax repayment for the following years:

- Fiscal 2022 through 2030 – reduce the amount of transfer tax repayment allocated through the transfer tax formula by $32.4 million;
- Fiscal 2022 – increase the share of repayment for the Critical Maintenance Program by $15.9 million to $21.9 million, provide $1.2 million for a State Lakes Protection and Restoration Fund pilot dredging project at Deep Creek Lake, and provide $20.7 million through the transfer tax formula per existing statute;
- Fiscal 2023 through 2027 – provide an additional $2.5 million per year for the Next Generation Farmland Acquisition Program; and
- Fiscal 2025 – provide $2.7 million for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) with $2.3 million allocated for MARBIDCO activities and $435,000 allocated for grants and investments related to agricultural product aggregation and storage sites and facilities participation in the Certified Local Farm Enterprise Program.

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

Type of Action: Mandate modification

State Effect: Overall, the general fund expenditures for the transfer tax repayment are not affected. Instead, the allocation of the repayment shifts, with additional funding being provided for the Critical Maintenance Program, State Lakes Protection and Restoration Fund, Next Generation Farmland Acquisition Program, and MARBIDCO's operations. This additional funding is redirected from the fiscal 2016 through 2018 portion of the transfer tax repayment. As a result, there is a net reduction of funding for DNR and MDA and an increase of funding for MARBIDCO. **Exhibit 1** shows the changes in transfer tax repayment funding by activity between current law and the repayment under this provision through fiscal 2027. Net expenditures increase by $1.875 million in this time period, but there is no net impact when the comparison is extended through fiscal 2030.

Exhibit 1
Transfer Tax Repayment Allocation Difference (Current Law versus Provision)
Fiscal 2022-2027

Agency/Program	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
DNR							
POS State	-$6,916,429	-$1,285,439	-$1,285,439	-$1,285,439	-$1,285,439	-$252,343	-$12,310,528
POS Local	-3,862,065	-717,777	-717,776	-717,777	-717,777	-140,907	-6,874,079
Forest and Park Service	-2,574,711	-478,517	-478,517	-478,517	-478,517	-93,937	-4,582,716
Rural Legacy	-856,524	-159,188	-159,188	-159,188	-159,188	-31,250	-1,524,526
Capital Development	15,930,475	0	0	0	0	0	15,930,475
State Lakes Protection and Restoration Fund	1,200,000	0	0	0	0	0	1,200,000
Total	**$2,920,746**	**-$2,640,921**	**-$2,640,920**	**-$2,640,921**	**-$2,640,921**	**-$518,437**	**-$8,161,374**
MDA							
MALPF	-$2,920,746	-$542,829	-$542,830	-$542,829	-$542,829	-$106,563	-$5,198,626
Subtotal	***-$2,920,746***	***-$542,829***	***-$542,830***	***-$542,829***	***-$542,829***	***-$106,563***	***-$5,198,626***
MARBIDCO							
Next Generation Farmland Acquisition	$0	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$12,500,000
MARBIDCO Operations	0	0	0	2,735,000	0	0	2,735,000
Subtotal	***$0***	***$2,500,000***	***$2,500,000***	***$5,235,000***	***$2,500,000***	***$2,500,000***	***$15,235,000***
Total	**-$2,920,746**	**$1,957,171**	**$1,957,170**	**$4,692,171**	**$1,957,171**	**$2,393,437**	**$10,036,374**
Grand Total	**$0**	**-$683,750**	**-$683,750**	**$2,051,250**	**-$683,750**	**$1,875,000**	**$1,875,000**

DNR: Department of Natural Resources MALPF: Maryland Agricultural Land Preservation Foundation MDA: Maryland Department of Agriculture
MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation POS: Program Open Space

Note: Capital Development only reflects the funding dedicated in the repayment to the Critical Maintenance Program. All other capital development funding is reflected as part of the POS State funding.

Source: Department of Legislative Services

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 Program Open Space (POS), Rural Legacy, and the Maryland Agricultural Land Preservation Foundation (MALPF). Local revenues generally decrease 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.

Of the State share funding, a portion of the funding is allocated to capital development, including funding for the Critical Maintenance Program.

The other programs affected are as follows:

- State Lakes Protection and Restoration Fund – DNR administers the State Lakes Protection and Restoration Fund to protect and restore State-owned lakes, of which the largest is Deep Creek Lake;
- Next Generation Farmland Acquisition Program – MARBIDCO administers the Next Generation Farmland Acquisition Program under its statutory authority to administer rural land and easement programs with the focus on helping young and beginning farmers purchase land, with the purchases made under the program resulting in, or typically leading to, permanent easements on the land.
- MARBIDCO – MARBIDCO administers several loan and grant programs to assist the State's farm, forestry, and seafood businesses by developing agricultural industries and markets, supporting the commercialization of agricultural processes and technology, assisting with rural land preservation efforts, and alleviating the

shortage of nontraditional capital and credit available at affordable interest rates for investment in agricultural and resource-based business.

Recent History: The fiscal 2022 budget includes $43.9 million in the Dedicated Purpose Account for the purpose of repaying transfer tax funding transferred to the general fund in prior years.

State Lakes Protection and Restoration Fund

Chapters 404 and 405 of 2017 first established the State Lakes Protection and Restoration Fund, administered by the Secretary of Natural Resources, to protect and restore State-owned lakes. Chapter 698 of 2018, however, required the Governor to include in the annual budget bill an appropriation of $1.0 million to the fund for fiscal 2020 and each fiscal year thereafter. Chapter 698 also allowed for the fund to be used to protect and restore State-managed lakes as well as State-owned lakes and specifies the following activities the fund may be used for in order to protect and restore State-owned or State-managed lakes: (1) removing sediment; (2) treating contaminated sediment; (3) preventing the spread of invasive species; (4) improving ecological and recreational value; and (5) taking any other action DNR determines necessary. Chapter 698 terminates June 30, 2022. However, pursuant to Chapters 404 and 405, the fund remains in place.

The fiscal 2022 budget includes $3.0 million for the State Lakes Protection and Restoration Fund. Of this amount, $1.0 million is restricted for the purpose of a State Lakes Protection and Restoration Fund pilot dredging project at Deep Creek Lake. Therefore, in combination with the funding provided through the related provision in this bill, there is $2.2 million in fiscal 2022 for the purpose of a State Lakes Protection and Restoration Fund pilot dredging project at Deep Creek Lake.

Next Generation Farmland Acquisition Program

Chapter 10 of 2016 required the Governor to include in the budget bill for fiscal 2018 a general fund appropriation of $5.0 million to MARBIDCO to provide grants for the use of the Next Generation Farmland Acquisition Program. Chapter 23 of 2017 reduced the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program from $5.0 million to $2.5 million and deferred funding of the remaining $2.5 million to fiscal 2019. Chapter 10 of 2018 extended the requirement that the Governor provide $2.5 million in mandated funding to MARBIDCO for the Next Generation Farmland Acquisition Program to fiscal 2020 through 2022.

MARBIDCO

Senate Bill 985 and House Bill 1488 of 2020 initially were vetoed by the Governor, but the General Assembly overrode the vetoes in the 2021 legislative session and so the bills were enacted as Chapters 2 and 32 of 2021. Chapters 2 and 32 established the Certified Local Farm and Enterprise Program and office in MDA to encourage State agencies (including public four-year universities) to achieve an overall goal of purchasing 20% of food from certified local farm enterprises. Chapters 2 and 32 also established a nonbudgeted Certified Local Farm Enterprise Food Aggregation Grant Fund within MARBIDCO to establish and operate food aggregation, storage, processing, and distribution sites across the State through grants and near-equity investments.

Chapter 538 of 2020 (Budget Reconciliation and Financing Act of 2020) reduced the MARBICO funding mandate from $2,875,000 to $2,735,000 in fiscal 2022 through 2024, and extended the mandate to fiscal 2025 at $2,735,000. In addition, contingent on the taking of effect of Chapters 2 and 32, Chapter 538 specified the use of the mandated funding, from fiscal 2022 through 2025, to provide $2,300,000 to support MARBIDCO's rural business loan programs and small matching grant programs and $435,000 to make grants and near-equity investments to (1) support the creation or expansion of agricultural produce aggregation and storage sites and (2) facilitate participation in the Certified Local Farm Enterprise Program created under Chapters 2 and 32 of 2021.

The Attorney General wrote a letter to the Governor concerning the Chapter 538 provision creating the new funding mandate. The concern expressed in the letter was that the net effect of the provision increased MARBIDCO's mandated funding by $2,315,000, which was contrary to the primary purpose of Chapter 538. Therefore, the Attorney General advised that the $2,735,000 in new mandated funding for MARBIDCO for fiscal 2025 be construed as a non-binding expression of legislative intent and that the Governor was not required to include the $2,735,000 in the fiscal 2025 budget bill.

Location of Provisions in the Bill: Section 2 (pp. 43-46)

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	*($ in millions)*					
Impact:	**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 $30.0 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 accounting for this 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 3 (p. 48)

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 January 1, 2021.

Agencies: 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 January 1, 2021, results in no direct savings in fiscal 2022. On January 1, 2021, a temporary 2.0% provider rate increase was granted to most providers with rates set by IRC. The increase is in effect through June 2021. The January 1, 2021 lookback date provides the opportunity for up to a 6.0% provider rate increase compared to the fiscal 2021 rates prior to the temporary rate increase. The actual increase for each provider will be determined by IRC. The 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. These amounts are potentially insufficient to support the authorized rate increases depending upon the actual level of rates approved by IRC.

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: The Budget Reconciliation and Financing Act (BRFA) of 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 that did not receive a program modification in the rates (to prevent those providers from exceeding the cap set in the BRFA of 2020).

Location of Provision in the Bill: Section 4 (p. 48)

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

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 $1.5 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 fiscal 2022 budget includes a $1.5 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	($1.5)	$0	$0	$0	$0
SF Exp	$0	$1.5	$0	$0	$0	$0

State Effect: BHA general fund expenditures for community behavioral health services decrease by $1.5 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. 48)

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 $2.0 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 fiscal 2022 budget includes a $2.0 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 Impact:	*($ in millions)* **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 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 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. 48)

Analysis prepared by: Andrew C. Garrison

Authorize Transfer of Fund Balance from the Rate Stabilization Fund to the General Fund in Fiscal 2021 Only

Provision in the Bill: Authorize a transfer of $5.0 million from the Rate Stabilization Fund to the general fund in fiscal 2021.

Agency: Maryland Insurance Administration (MIA)

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions) **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Rev	$5.0	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund revenues increase by $5.0 million in fiscal 2021.

Local Effect: None.

Program Description: The Rate Stabilization Fund is funded through a 2.0% premium tax on health maintenance organizations (HMOs) and managed care organizations (MCOs). Originally imposed to subsidize medical malpractice premiums and support increased provider rates in Medicaid, the fund now solely supports the Medicaid Program. MIA collects the funds, which are required to be transferred to the Maryland Department of Health.

Recent History: In its January 2021 report on the *Statewide Review of the Budget Closeout Transactions for Fiscal Year 2020*, the Office of Legislative Audits found that MIA had improperly retained $8.1 million in the Health Care Provider Rate Stabilization Fund. According to the audit report, MIA failed to justify the retention of the fund balance as of June 30, 2020. MIA management argued that a fund balance was necessary to cover any HMO and MCO premium tax refunds that were required to be paid. Refunds processed during fiscal 2019 and 2020 related to HMO and MCO premium taxes totaled $17,000 and $3.0 million, respectively. Both amounts are well below the $8.1 million that was retained by MIA.

Chapter 538 of 2020 (Budget Reconciliation and Financing Act) repealed the Rate Stabilization Fund effective July 1, 2021, and the premium tax payments previously comprising the fund will be deposited directly into the general fund thereafter.

Location of Provision in the Bill: Section 12 (p. 51)

Analysis prepared by: Caleb E. Weiss

Revert Improperly Retained Funding for Library Services

Provision in the Bill: Requires the reversion of $235,000 in improperly encumbered general funds from the Maryland State Department of Education (MSDE) from July 2017.

Agency: Maryland State Department of Education

Type of Action: Cost containment

Fiscal Impact:	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
	($ in millions)					
GF Exp	($0.2)	$0	$0	$0	$0	$0

State Effect: General fund expenditures for MSDE are reduced due to the reversion of the prior year encumbrance in fiscal 2021.

Local Effect: None.

Program Description/Recent History: MSDE improperly encumbered unused State grant funds totaling $235,000 that should have been reverted to the State's general fund. These funds had been awarded to a local government by MSDE's Division of Library Development and Services (DLDS) in July 2017. Effective that same month, State law established the Maryland State Library as an independent State agency. The Maryland State Library essentially assumed the functions of DLDS, and DLDS ceased as a division within MSDE. At that time, the aforementioned funds were retained instead of being distributed to the local government. MSDE continuously recorded this encumbrance for the State grant funds during fiscal 2018, 2019, and 2020 without supporting documentation. As of December 2020, MSDE had not reverted the funds and did not have information to support retaining this encumbrance.

Location of Provision in the Bill: Section 13 (p. 51)

Analysis prepared by: Laura H. Hyde

Reduce Fiscal 2021 Funds for Excess Statewide Salary Actions

Provision in the Bill: Reduces fiscal 2021 general fund spending by $1,784,036 due to overbudgeting for fiscal 2021 statewide salary actions.

Agency: Department of Budget and Management

Type of Action: Cost containment

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

State Effect: General fund expenditures decrease by $1,784,036 in fiscal 2021.

Local Effect: None.

Program Description/Recent History: The Statewide Expenses program in the Department of Budget and Management is used to provide funding to State agencies affected by statewide salary actions.

The fiscal 2021 working appropriation includes funding for various statewide salary actions, including the annualization of the January 2020 1% cost-of-living salary increase, the July 2020 5% State Law Enforcement Officers Labor Alliance cost-of-living salary increase, and the annual salary review. Funds for these three purposes were overbudgeted by a net of $1,784,036.

Location of Provision in the Bill: Section 14 (p. 51)

Analysis prepared by: Jason A. Kramer

Reduce Unneeded Fiscal 2020 Funds for Behavioral Health Provider Reimbursement

Provision in the Bill: Reduces $5.0 million in general funds accrued at the end of fiscal 2020 in the Maryland Department of Health (MDH) Behavioral Health Administration that are not needed to pay fiscal 2020 bills.

Agency: Maryland Department of Health

Type of Action: Cost containment

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
GF Exp	($5.0)	$0	$0	$0	$0	$0

State Effect: General fund expenditures for behavioral health provider reimbursements decrease by $5.0 million in fiscal 2021. These funds reflect an accrual surplus that is not needed to pay reimbursement claims from fiscal 2020.

Local Effect: None.

Program Description/Recent History: At year-end closeout, MDH traditionally accrues funds to account for provider claims yet to be submitted or paid that occurred during the fiscal year as claims can be submitted up to one year after a service is delivered. In fiscal 2020, MDH accrued $117.0 million for behavioral health provider reimbursements. This amount was significantly more than traditionally accrued due to the difficulties with the new administrative services organization in processing claims during calendar 2020. Through January 2021, MDH had booked $65.4 million in claims against the fiscal 2020 accrual. The Department of Legislative Services estimates an accrual surplus of $5.0 million.

Location of Provision in the Bill: Section 15 (p. 51)

Analysis prepared by: Andrew C. Garrison

Reduce Unneeded Fiscal 2020 Funds for Nonpublic School Placements

Provision in the Bill: Reduces $7.5 million of funds accrued at the end of fiscal 2020 for nonpublic placements that are not needed to pay fiscal 2020 bills.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Cost containment

Fiscal Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
	($ in millions)					
GF Exp	($7.5)	$0	$0	$0	$0	$0

State Effect: General fund expenditures for nonpublic placements decrease by $7.5 million in fiscal 2021; these funds represent amounts not needed to reimburse nonpublic providers for services rendered in fiscal 2020.

Local Effect: Because MSDE should have already reimbursed nonpublic providers for services rendered in fiscal 2020, no local effect is anticipated.

Program Description: The Nonpublic Placement program is part of the Aid to Education, Students with Disabilities budget. This program serves students who need academic support beyond what their local public school can provide and qualify to be placed in an alternate educational setting. The annual budget for this program is approximately $120 million in general funds.

Recent History: The 2020 *Joint Chairmen's Report* requires MSDE to prepare monthly reports for the Nonpublic Placement Program for the budget committees, the Department of Legislative Services, the Department of Budget and Management, and the Comptroller. The report must indicate, by fund type and fiscal year, total appropriations and total disbursements for services provided during that fiscal year up through the last day of the second month preceding the date on which the report is to be submitted and compare data applicable to those periods in the preceding fiscal year. In the report submission dated February 2021, MSDE reported that the disbursement of funds for this program for fiscal 2020 totaled approximately $83.3 million out of a $123.5 million budget. With the fiscal year closeout having occurred in June 2020, this discrepancy suggests that program funds are unlikely to be spent.

Location of Provision in the Bill: Section 16 (p. 51)

Analysis prepared by: Laura H. Hyde

Require Transfer of Fund Balance from the Maryland-National Capital Park and Planning Commission in Fiscal 2022

Provision in the Bill: Requires the Maryland-National Capital Park and Planning Commission (M-NCPPC) to transfer up to $100,000 from the park taxes balance collected in Prince George's County to the State general fund by October 1, 2021. The amount transferred may not exceed the lesser of $100,000 or the amount remaining from the balance of funds collected after all fiscal 2022 debt service obligations are satisfied.

Agency: Maryland-National Capital Park and Planning Commission

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	$0.1	$0	$0	$0	$0

State Effect: General fund revenues increase by $100,000 in fiscal 2022.

Local Effect: The park taxes balance collected in Prince George's County is reduced by $100,000.

Program Description: M-NCPPC is a bi-county agency serving Montgomery and Prince George's counties that was empowered by the State in 1927 to acquire and administer a regional system of parks within the Maryland-Washington Metropolitan District and administer a general plan for the physical development of the area. In 1970, the commission became responsible for managing the Prince George's County public recreation program. The commission operates approximately 52,000 acres of parkland, trails, and open space in Montgomery and Prince George's counties, as well as a variety of facilities, including nature centers, community centers, historic sites, and sports venues.

Recent History: Chapter 474 of 2009 transferred $65 million in local property tax revenues collected by M-NCPPC to Montgomery and Prince George's counties.

Location of Provision in the Bill: Section 17 (pp. 51-52)

Analysis prepared by: Andrew D. Gray

Administrative and Other Actions

Reduce Eligible Costs Paid from Bay Restoration Fund for Private Wastewater Facility Upgrades

Provisions in the Bill: Reduce the percentage of eligible costs that may be paid from the Bay Restoration Fund Wastewater Account for upgrading privately owned wastewater facilities from up to 100% to up to 50%. Define the terms “privately owned wastewater facility” and “publicly owned wastewater facility.”

Agency: Maryland Department of the Environment (MDE)

Type of Action: Miscellaneous

State Effect: Overall special fund expenditures are not affected. To the extent funding provided to privately owned wastewater facilities is reduced due to this provision, additional funding is available for other eligible projects.

Local Effect: Funds available for upgrading publicly owned wastewater facilities to enhanced nutrient removal technology and other eligible uses of the Bay Restoration Fund potentially increase to the extent that the provision reduces the total amount of funding provided to privately owned wastewater facilities.

Program Description: Chapter 428 of 2004 established the Bay Restoration Fund, which is administered by the Water Quality Financing Administration within MDE. The primary purpose of the fund is to support upgrades to Maryland’s 67 major publicly owned wastewater facilities with enhanced nutrient removal technology; funds are also used for septic system upgrade grants, among other things, and the Maryland Department of Agriculture’s Cover Crop Program. As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks, and Chapter 150 of 2012 doubled the fee for most users (until July 1, 2030).

Recent History: As introduced, the fiscal 2022 budget included $12,786,550 for the Valley Proteins Wastewater Treatment Plant System Enhanced Nutrient Removal Upgrade project, 83.3% of the estimated total project cost ($15,350,000). The General Assembly added language to the pay-as-you go capital appropriation for the Bay Restoration Fund – Wastewater program to limit the funding for this project to 50% of the estimated total project cost ($7,675,000), while retaining the total appropriation for the program, allowing $5,111,550 to be allocated to other projects.

Location of Provisions in the Bill: Section 2 (pp. 20-21)

Analysis prepared by: Andrew D. Gray

Establish the Maternal and Child Health Population Health Improvement Fund

Provisions in the Bill: Establish a Maternal and Child Health Population Health Improvement Fund to invest in maternal and child population health improvements in the Medical Care Programs Administration (Medicaid) and the Prevention and Health Promotion Administration (PHPA) in the Maryland Department of Health (MDH) through December 2025. Funding support for the new fund is derived from an assessment built into hospital rates and must be approved by a majority of the Health Services Cost Review Commission (HSCRC) members.

Agency: Maryland Department of Health

Type of Action: Administrative

Fiscal	*($ in millions)*					
Impact:	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Rev	$0	$5.0	$10.0	$10.0	$10.0	$5.0
FF Rev	$0	$4.0	$8.0	$8.0	$8.0	$4.0
SF Exp	$0	$5.0	$10.0	$10.0	$10.0	$5.0
FF Exp	$0	$4.0	$8.0	$8.0	$8.0	$4.0

State Effect: Assuming $10.0 million is assessed each calendar year from 2022 through 2025, MDH special fund revenues increase by $5.0 million in both fiscal 2022 and 2026 and by $10.0 million in fiscal 2023 through 2025. Special fund expenditures increase by a corresponding amount. Based on HSCRC approval granted on May 12, 2021, $8.0 million of the $10.0 million assessed each calendar year will be directed to Medicaid and the remaining $2.0 million will be directed to PHPA. Thus, federal matching revenues and expenditures increase by as much as $4.0 million in fiscal 2022 and 2026 and as much as $8.0 million in fiscal 2023 through 2025.

Local Effect: None.

Program Description/Recent History: In 2020, HSCRC announced a five-year regional catalyst grant program to be funded through hospital rates. The commission identified three population health areas that would receive funding: behavioral health; diabetes management; and maternal and child health. Two of the initiatives – behavioral health and diabetes management – are being funded from calendar 2021 through 2025 and are not affected by this bill. The maternal and child health initiative, for which the new special fund is being established, will be funded from calendar 2022 through 2025; the funding that would otherwise have gone to the initiative in calendar 2021 is instead being devoted to COVID-19 activities. Under current law, HSCRC does not have the authority to make grants outside of the hospital rate-setting process.

Location of Provisions in the Bill: Section 2 (pp. 21-22, 30)

Analysis prepared by: Simon G. Powell

Use Nonwithholding Income Tax Revenue for Cost-of-living Adjustment

Provisions in the Bill: Require that fiscal 2022 nonwithholding income tax revenues that exceed the capped estimate and are not needed to close a shortfall in general fund revenues be used to provide a cost-of-living adjustment (COLA) of up to 4.5% for certain employees in fiscal 2023. The COLA is effective July 1, 2022, and the funds must be appropriated in the 2022 session for fiscal 2023. The COLA applies to State employees with membership in the American Federation of State, County, and Municipal Employees (AFSCME), AFL-CIO, excluding a unit represented by AFSCME, AFL-CIO Local 1859.

Agency: Statewide

Type of Action: Administrative

State Effect: Special fund expenditures potentially increase, by as much as $78.8 million, in fiscal 2023 to provide a COLA for State employees with membership in the collective bargaining units specified above. If general fund revenues are less than what is required to provide a 4.5% COLA, the provision allows flexibility for a lesser COLA. Also, if a COLA is provided in fiscal 2023, State expenditures increase in subsequent years to maintain employee salaries at their new levels. Assuming a 4.5% COLA is provided, State expenditures (all funds) increase by $81.4 million in fiscal 2024, $84.2 million in fiscal 2025, and $87.1 million in fiscal 2026, comprising approximately 60% general funds, 20% special funds, and 20% federal funds.

Local Effect: None.

Program Description: Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceeds the 10-year average. If nonwithholding revenues, as a percentage of general fund revenues, are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the Acts specify how the excess revenues are to be allocated. Chapters 4 and 550 require that excess revenues that are not needed to close a shortfall in general fund revenues be allocated to the Rainy Day Fund until the balance in the fund reaches 6.0% of general fund revenues. Once the Rainy Day Fund balance reaches 6.0%, excess revenues are split evenly between the Rainy Day Fund and the Fiscal Responsibility Fund.

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

Recent History: Chapters 4 and 550 originally limited the amount of capped revenue to 2.0% of general fund revenues beginning in fiscal 2020. Chapter 10 of 2018 phased in the cap over three years, with no more than 0.5% of projected general fund revenues subject to the cap in fiscal 2020. Chapter 16 of 2019 (Budget Reconciliation and Financing Act of 2019) scaled back the cap in fiscal 2020 to 0.225% of projected general fund revenues. Chapter 538 of 2020 altered the phase-in to delay the full phase-in until fiscal 2026 and established dollar caps rather than percent caps until reaching the full 2.0% in fiscal 2026 and later. In fiscal 2022, the cap is $80.0 million.

Chapter 16 also altered the use of the Fiscal Responsibility Fund to provide for up to a 2.0% COLA for certain employees in fiscal 2021. The COLA was to be effective July 1, 2020, and the funds were to be appropriated in the 2021 session for fiscal 2021. Chapter 538 increased the potential COLA to up to 3.0% for members of AFSCME only and established a prioritization of COLA to be provided if a lesser amount of funds were realized. However, nonwithholding revenue did not exceed the capped estimate, so no COLA was triggered.

Location of Provisions in the Bill: Section 2 (pp. 30-33)

Analysis prepared by: Jason A. Kramer

Alter Property Tax Assessment Rate for Country Clubs and Golf Courses

Provisions in the Bill: Clarify and streamline existing special use assessment rates for land actively used as a country club or golf course that has a special use assessment agreement with the State Department of Assessments and Taxation (SDAT). The special use assessment rate for country clubs and golf courses increases from $1,000 per acre to the lesser of market value or $5,000 per acre for the date of finality following the date of the agreement. Generally, the special use assessment rates enacted by the Budget Reconciliation and Financing Act of 2020 (Chapter 538) are not altered, but SDAT is permitted to phase in the special use assessment rates over a three-year period, as is done with all other real property.

Agency: State Department of Assessments and Taxation

Type of Action: Administrative

State Effect: The bill clarifies the special use assessment rates for country club and golf course property and as such is not anticipated to have a significant impact on special fund revenues.

Local Effect: None.

Program Description: A golf course that is open to the public is eligible for a special use assessment if it is located on at least 50 acres of land on which is maintained a regular or championship golf course of at least nine holes. A country club is eligible for a special use assessment if it (1) has at least 100 members, who pay dues averaging $50 or more annually for each member; (2) restricts use of its facilities primarily to members, families, and guests; and (3) is located on at least 50 acres of land, on which is maintained a regular or championship golf course of at least nine holes and a clubhouse. All property belonging to country clubs and golf courses are valued at market value, except for the acreage used for the actual golf course, which is subject to a special use assessment rate, which was typically $1,000 per acre, prior to the enactment of Chapter 538 of 2020.

SDAT may make agreements with country clubs and golf courses that specify the manner of assessing the land of a country club or golf course. All of these agreements must contain uniform provisions. An agreement must be for at least 10 consecutive years or for a longer period as determined by the country club or golf course and SDAT. An agreement may be extended by increments of at least 5 years.

SDAT advises there are 16,037 acres of land in the State that are subject to special use assessment agreements for country clubs and golf courses.

Recent History: The Budget Reconciliation and Financing Act of 2020 (Chapter 538) altered the special use assessment rate for country clubs and golf courses that enter into or extend the term of a specified agreement with SDAT on or after June 1, 2020. The special use assessment rate increased from $1,000 per acre to the lesser of market value or $2,000 per acre (year 1), $3,500 per acre (year 2), and $5,000 per acre (year 3). Beginning in the fourth year of the agreement or the extended term, the annual per acre assessment increases by a specified percentage based on a calculated assessment rate index.

Location of Provisions in the Bill: Section 2 (pp. 39-42)

Analysis prepared by: Michael D. Sanelli

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. Supplemental Budget No. 5 includes a $210.4 million general fund reduction in fiscal 2021, contingent on enactment of the Budget Reconciliation and Financing Act (BRFA) of 2021.

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

Type of Action: Miscellaneous

Fiscal Impact:	*($ in millions)* **FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
SF Rev	$210.4	$0	$0	$0	$0	$0
GF Exp	($210.4)	$0	$0	$0	$0	$0
SF Exp	$210.4	$0	$0	$0	$0	$0

State Effect: Supplemental Budget No. 5 appropriated $551.5 million in general funds in fiscal 2021 for the Maryland Department of Health to fund fiscal 2020 COVID-related expenditures, of which $210.4 million is reduced contingent on this provision. Special fund expenditures increase correspondingly in fiscal 2021, while special fund revenues increase by the same amount upon federal reimbursement or general fund reimbursement if expenses are not fully reimbursed by FEMA. The supplemental budget also recognized the offsetting $341.2 million in FEMA revenues for the portion of the general fund expenditures that were reimbursed prior to this provision.

The extent to which the ability to charge the Local Reserve Account will be utilized going forward is not currently known. However, to the extent it is utilized, general fund expenditures are reduced and special fund revenues and expenditures increase correspondingly.

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.

Standard rules through FEMA's Public Assistance program require 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 (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 (p. 49)

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 that 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. 49)

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 2, pages 11 and 12, of this bill.

Local Effect: Counties that under 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 three counties that would need to substantially exceed their required fiscal 2022 MOE appropriation, as well as six counties that would need to exceed fiscal 2022 MOE by $1 in order to satisfy the requirement to receive the grant. Under current law, these 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. Fifteen counties are projected in fiscal 2022 to exceed their fiscal 2021 total local appropriation under MOE law and, therefore, are not affected. 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. This analysis reflects this change under Chapter 36 as well as the provision under Chapter 55 of 2021 that excludes the September 30, 2020 enrollment count from the calculation.

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

	One-time State Hold Harmless Grant	Additional Local Funds Needed To Meet Requirement Above FY 2022 Base MOE
Allegany	$2,666,718	$0
Anne Arundel	1,977,000	0
Baltimore City	2,868,000	0
Baltimore	30,458,759	2,804,382
Calvert	5,213,516	1
Caroline	3,055,573	0
Carroll	6,924,297	1
Cecil	5,250,002	0
Charles	878,000	32,439
Dorchester	94,000	0
Frederick	1,983,999	249,837
Garrett	1,634,644	0
Harford	4,075,307	1
Howard	7,726,982	1
Kent	453,683	0
Montgomery	29,023,223	1
Prince George’s	83,772,766	0
Queen Anne’s	3,043,917	0
St. Mary’s	6,035,699	1
Somerset	45,000	0
Talbot	805,794	0
Washington	6,518,541	0
Wicomico	4,833,647	0
Worcester	45,000	0
Total	**$209,384,067**	**$3,086,664**

MOE: maintenance of effort

Note: Fiscal 2022 Base MOE per Chapter 55 of 2021.

Source: Department of Legislative Services

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. As discussed above, the per pupil calculation is altered under Chapters 36 and 55 of 2021. Counties may request that nonrecurring costs be excluded from the per pupil calculation subject to State Board of Education approval.

Location of Provision in the Bill: Section 9 (p. 50)

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 10 (p. 50)

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 11 (pp. 50-51)

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/or Administrative Actions						
Authorize Transfer of Fund Balance from State UI Reserve Account to General Fund in Fiscal 2021	30,000,000	0	0	0	0	0
Authorize Transfer of Fund Balance from Rate Stabilization Fund to General Fund in Fiscal 2021	5,000,000	0	0	0	0	0
Require Transfer of Fund Balance from M-NCPPC in Fiscal 2022	0	100,000	0	0	0	0
Subtotal – Other Actions	***35,000,000***	***100,000***	***0***		***0***	***0***
TOTAL GENERAL FUND REVENUES	**35,000,000**	**3,100,000**	**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**
GENERAL FUND EXPENDITURES						
Mandate Relief						
Eliminate Mandate for Fisheries R&D Fund in Fiscal 2022	0	(1,794,000)	0	0	0	0
Subtotal – Mandate Relief	***0***	***(1,794,000)***	***0***	***0***	***0***	***0***
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)	0	0	0	0
Alter Transfer Tax Repayments	0	0	(683,750)	(683,750)	2,051,250	(683,750)
Authorize Transfer of Fund Balance from Counselors and Therapists Board to BHA	0	(1,500,000)	0	0	0	0
Authorize Transfer of Fund Balance from the Medical Cannabis Commission to BHA	0	(2,000,000)	0	0	0	0
Authorize Use of Local Reserve Account for COVID-19 Response and Require Repayment	(210,350,514)	0	0	0	0	0

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revert Improperly Retained Funding for Library Services	(235,000)	0	0	0	0	0
Reduce Fiscal 2021 Funds for Excess Statewide Salary Actions	(1,784,036)	0	0	0	0	0
Reduce Unneeded Fiscal 2020 Funds for Behavioral Health Provider Reimbursement	(5,000,000)	0	0	0	0	0
Reduce Unneeded Fiscal 2020 Funds for Nonpublic School Placements	(7,500,000)	0	0	0	0	0
Subtotal – Other Actions	***(324,869,550)***	***(103,500,000)***	***(683,750)***	***(683,750)***	***2,051,250***	***(683,750)***
TOTAL GENERAL FUND EXPENDITURES	**(324,869,550)**	**(105,294,000)**	**(683,750)**	**(683,750)**	**2,051,250**	**(683,750)**
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 Mandate for Fisheries R&D Fund in Fiscal 2022	0	(1,794,000)	0	0	0	0
Subtotal – Mandate Relief	***0***	***(4,794,000)***	***(3,000,000)***	***(3,000,000)***	***(3,000,000)***	***(3,000,000)***
Fund Swaps, Cost Shifts, Cost Control, and/or Administrative Actions						
Establish the Maternal and Child Health Population Health Improvement Fund	0	5,000,000	10,000,000	10,000,000	10,000,000	5,000,000
Alter Transfer Tax Repayments	0	0	(3,183,750)	(3,183,750)	(3,183,750)	(3,183,750)
Authorize Use of Local Reserve Account for COVID-19 Response and Require Repayment	210,350,514	0	0	0	0	0
Subtotal – Other Actions	***210,350,514***	***5,000,000***	***6,816,250***	***6,816,250***	***6,816,250***	***1,816,250***
TOTAL SPECIAL FUND REVENUES	**210,350,514**	**206,000**	**3,816,250**	**3,816,250**	**3,816,250**	**(1,183,750)**
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)
Alter Mandate for MTA Operating Budget in Fiscal 2022	0	112,000,000	0	0	0	0
Subtotal – Mandate Relief	***0***	***109,000,000***	***(3,000,000)***	***(3,000,000)***	***(3,000,000)***	***(3,000,000)***

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Fund Swaps, Cost Shifts, Cost Control, and/or Administrative Actions						
Establish the Maternal and Child Health Population Health Improvement Fund	0	5,000,000	10,000,000	10,000,000	10,000,000	5,000,000
Modify Funding for MCHRC and SPDAP	0	1,863,720	0	0	0	0
Require Transfers of Reinsurance Provider Assessment Revenue to Medicaid	100,000,000	100,000,000	0	0	0	0
Use Nonwithholding Income Tax Revenue for Cost-of-living Adjustment	0	0	-	0	0	0
Alter Transfer Tax Repayments	0	0	(3,183,750)	(3,183,750)	(3,183,750)	(3,183,750)
Authorize Transfer of Fund Balance from Counselors and Therapists Board to BHA	0	1,500,000	0	0	0	0
Authorize Transfer of Fund Balance from the Medical Cannabis Commission to BHA	0	2,000,000	0	0	0	0
Authorize Use of Local Reserve Account for COVID-19 Response and Require Repayment	210,350,514	0	0	0	0	0
Subtotal – Other Actions	***310,350,514***	***110,363,720***	***6,816,250***	***6,816,250***	***6,816,250***	***1,816,250***
TOTAL SPECIAL FUND EXPENDITURES	**310,350,514**	**219,363,720**	**3,816,250**	**3,816,250**	**3,816,250**	**(1,183,750)**
FEDERAL FUND REVENUES						
Establish the Maternal and Child Health Population Health Improvement Fund	0	4,000,000	8,000,000	8,000,000	8,000,000	4,000,000
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**	**(156,408)**	**3,843,592**	**3,843,592**	**3,843,592**	**(156,408)**
FEDERAL FUND EXPENDITURES						
Establish the Maternal and Child Health Population Health Improvement Fund	0	4,000,000	8,000,000	8,000,000	8,000,000	4,000,000
Reduce Mandated Appropriation for MHBE	0	(4,156,408)	(4,156,408)	(4,156,408)	(4,156,408)	(4,156,408)
TOTAL FEDERAL FUND EXPENDITURES	**0**	**(156,408)**	**3,843,592**	**3,843,592**	**3,843,592**	**(156,408)**

BHA: Behavioral Health Administration
MCHRC: Maryland Community Health Resources Commission
MHBE: Maryland Health Benefits Exchange
M-NCPPC: Maryland-National Capital Park and Planning Commission
MTA: Maryland Transit Administration
R&D: research and development
SPDAP: Senior Prescription Drug Assistance Program
UI: Unemployment Insurance

Source: Department of Legislative Services

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