

House Appropriations Committee

Report on

House Bill 150 – the Budget Bill

**House Bill 152 – the Budget Reconciliation and
Financing Act**

**Maryland General Assembly
Annapolis, Maryland**

March 13, 2017

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Fiscal 2018 Budget Budget Bill (HB 150) and the Budget Reconciliation and Financing Act (HB 152) As Amended by the House Appropriations Committee

Achieves Structural Balance: Ongoing general fund revenues exceed ongoing expenditures by \$55.0 million in fiscal 2018. This structural balance far surpasses the Spending Affordability Committee (SAC) goal of reducing the shortfall by 50% in fiscal 2018.

Preserves Reserves: Nearly \$1 billion in cash resources are preserved including \$860.0 million in the Rainy Day Fund and \$137.3 million in the General Fund. This general fund balance exceeds the \$100.0 million goal set by SAC.

Constrains Growth in State Spending and Positions: Growth in general fund spending excluding appropriations to reserve funds is held to a modest 0.7%. State positions decline by 470 compared to fiscal 2017.

Maintains the State's Commitment to Public Schools: Under the committee's budget proposal, State support for public schools will be almost \$6.4 billion. Direct aid to local school systems will increase an estimated \$70.6 million, or 1.3%. The spending plan fully funds Thornton formulas and creates adequate fund balance to allow the Governor to fund grants to school systems experiencing declining enrollment and/or providing full-day pre-kindergarten to their four-year olds.

Restores Funds for Legislative Priorities: More than \$81.2 million of reductions proposed by the Administration through negative deficiencies and the Budget Reconciliation and Financing Act are restored reflecting legislative priorities. Restorations preserve \$36.6 million for local governments almost half of which supports public education and libraries and \$30.9 million for providers of health care services to vulnerable populations.

Continues to Provide Vital Health Care Services: Medicaid funding totals \$10 billion allowing the State to provide coverage to almost 1.4 million of our residents. Expenditures grow by about \$151.0 million to support enrollment and provider rate increases. The budget includes a \$6.6 million increase in dedicated funding responding to the opioid epidemic.

Provides Sufficient Funds to Cap Higher Education Tuition Increases at 2.0%: State support for Maryland's public four-year colleges and universities grows by \$28.3 million allowing undergraduate tuition rates to increase a modest 2.0%. Community colleges limiting tuition growth to 2% will share \$4.0 million in incentive payments.

Funds Rate Increases for Providers Serving Children and Vulnerable Populations: A 3.5% rate increase is funded for providers serving the developmentally disabled. Rate increases of 2.0% are funded for most other health and human service providers.

Budget Summary
Fiscal 2017 and 2018
(\$ in Millions)

General Fund

	<u>Admin.</u>	<u>APP</u>
<u>Fiscal 2017</u>		
Ending Balance Before Legislative Action	-\$114.5	-\$114.5
Revenues – BRE March Revision	-35.3	-35.3
Revenues – Legislation	13.0	18.0
Fund Transfers – Legislation	170.0	202.5
BRE Write-down of Education Trust Fund Revenue*	-7.9	-7.9
Expenditure Reductions – Deficiencies and Reversions**	0.0	-7.4
Expenditure Reductions – Contingent on BRFA	0.0	2.4
Adjusted Ending Balance	\$25.2	\$57.7
<u>Fiscal 2018</u>		
Revenues – BRE Estimate	\$17,180.3	\$17,180.3
Revenues – BRE March Revision	2.3	2.3
Other Revenues	25.5	25.7
Revenues – Legislation	1.0	10.6
Fund Transfers – Legislation	2.5	0.0
Total Revenues and Balance	\$17,236.8	\$17,276.6
Expenditures – Allowance	\$17,382.6	\$17,382.6
BRE Write-down of Education Trust Fund Revenue*	24.6	24.6
Expenditure Reductions – Contingent on Legislation	-235.4	-170.7
Expenditure Reductions**	-1.2	-97.2
Total Expenditures	\$17,170.6	\$17,139.3
Ending Balance (Revenues Less Expenditures)	\$66.2	\$137.3

Cash Position

General Fund Balance	\$66.2	\$137.3
Rainy Day Fund Balance – June 30, 2018	860.3	860.3
Total	\$926.5	\$997.6
Cash and Rainy Day Fund Over 5%	\$67.4	\$138.4

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

*Assumes that Supplemental Budget will provide general funds to replace Education Trust Fund revenues supporting mandated K-12 education aid.

**Expenditure reductions for the Administration are assumed reversions.

**Proposed Budget Reductions
House Bill 150
Fiscal 2018 Budget and Fiscal 2017 Deficiency Appropriations
(\$ in Millions)**

General Funds

	<u>APP</u>
<u>Local Aid</u>	
C Reduce Funds for Teacher Stipends and Induction, Retention, and Advancement Pilot Program	\$4.0
Savings from Declining Enrollment in Non-Public Education Placements	5.0
C Reduce Funds for Public School Opportunities Program	2.5
Delete Unspecified Innovative School Grants	1.0
C Level Fund Local Health Grant	0.7
Reduce Funds for Planning Grants for P-TECH Schools	0.6
C Level Fund Police Aid	0.5
No Funds for Linking Youth to New Experiences School	0.3
Total	\$14.6
<u>Medicaid</u>	
C Partially Defer Phase-down of Medicaid Deficit Assessment	20.0
Swap Available Cigarette Restitution Funds for General Funds	5.8
C Fund Mental Health Services with Senior Prescription Drug Revenues	1.1
Total	\$26.9
<u>Higher Education</u>	
Reduce Aid for Private Higher Education Institutions	\$4.6
Level Fund Baltimore City Community College	0.8
Correct Error in Calculation of Community College Funding	0.3
No State Funding for Upkeep of Chancellor's Home	0.1
Total	\$5.7
<u>Reserves/Pensions/Debt</u>	
C Reduce Supplemental Payment to Pension System to \$75.0 Million	\$50.0
C Reduce Appropriation to Rainy Day Fund	40.0
Lower Debt Service Costs and Use of Bond Premiums to Cover Costs	30.0
Total	\$120.0

APP

State Agencies

Fund Administrative Costs at Department of Human Resources with Available Federal Funds	9.3
Judiciary – Reduce Operating Costs	8.1
Judiciary – Employee Increments	6.3
Judiciary – Reduce Growth in Support for Clerks of Circuit Court and 20 New Pins	4.5
Savings from Declining Temporary Disability Assistance Program Caseload	6.0
Reduce General Funds for MEDAAF to \$18.9 Million; a \$5.4 Million Increase over Fiscal 2017	5.0
C Fund Behavioral Health Services for Uninsured with Special Funds	3.8
C Reduce Funding for Next Generation Farmland Acquisition Program	2.5
Delete Excess Funds for Personal Supports for the Developmentally Disabled	1.8
C <i>Unspent Funds for Utilization Review – DHMH</i>	1.5
No Funds for New Major IT Project for Department of Environment	1.4
C <i>Fund Swap in Department of General Services</i>	1.0
Reduce Funds for Rural Maryland Council	1.0
Savings from Civilianization Efforts at Maryland State Police	1.0
Reduce Funds for Oversight of Major IT Projects Due to Availability of Fund Balance	1.0
Employee Vacancy Savings for Comptroller’s Office and DoIT	0.6
No Funding to Reconstitute Department of Natural Resources Aviation Unit	0.6
Reduce Funds for Foster Youth Savings Program to Account for Startup Delays	0.4
Reduce Funds for Office of BioHealth	0.4
No Funding for Department of Planning to Re-establish Non-Capital Grant Program	0.4
Abolish Three Long-term Vacancies at the Department of Aging	0.2
Correct Budgeting Error in Department of Human Resources	0.2
Reduce Operating Costs for Boards, Commissions, and Offices; Veterans; and Board of Elections	0.2
<i>No Deficiency Appropriation for Governor’s Office for Children Personnel Costs</i>	0.1
Administrative Efficiencies in Governor’s Office for Children	0.1
Reduce Funding for Training and Technical Assistance for Local Management Boards	0.1
Total	\$57.3
<u>PAYGO</u>	
C Fund Strategic Demolition and Smart Growth Impact Fund with Bonds	25.6
C Fund Baltimore Regional Neighborhood Initiative with Bonds	12.0
C Fund Seed Anchor Institution Program with Bonds	5.0
C Fund Shelter and Transitional Housing with Bonds	3.0
Total	\$45.6
Total General Funds	\$270.1

Special Funds

	<u>APP</u>
<i>No Use of Uncompensated Care Fund for Medicaid</i>	\$10.0
Align PSC Spending from Customer Investment Fund with Available Dollars	6.2
Align Bay Restoration Debt Service Expenditures with Expected Costs	5.0
Reduce Funding for the BOOST Program	4.8
Level Fund Small, Minority, and Women-Owned Business Account	3.8
C Reduce Funds for Community Health Resources Commission Grants	3.8
C Reduce Supplemental Payment to Pension System	3.6
Delay Purchase of Licensing Software for Health Boards	1.2
C No Lottery Revenues for Maryland International, Sports Marketing, and Humanities Council	1.0
Reducing Funding for IT Project at State Retirement Agency	0.6
No New Contractual Positions for Maryland Insurance Administration	0.3
Defer IT Enhancements for Health Benefit Exchange	0.3
Correct Budgeting Error in Department of Human Resources	0.2
Reduce Double-budgeted Funds in Department of the Environment	0.2
C <i>Reduce Fiscal 2017 Administrative Costs for DHCD</i>	0.2
Reduce State Lottery Operating Costs	0.1
Reduce Operating Cost for Clerks of the Circuit Court, Comptroller, and DoIT	0.1
Total	\$41.3
<u>Pay-as-you-go Capital</u>	
No Funding for Tobacco Transition Program	\$1.0
Total	\$1.0
Total Special Fund Reductions to Governor's Proposed Budget	\$42.3

BOOST: Broadening Options and Opportunities for Students Today
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DoIT: Department of Information Technology
 IT: information technology
 MEDAAF: Maryland Economic Development Assistance and Authority Fund
 PAYGO: pay-as-you-go
 PSC: Public Service Commission

C: These Items Are Contingent on Enactment of the Budget Reconciliation and Financing Act of 2017 (HB 152).

Note: Fiscal 2017 deficiency reductions in italics.

Budget Restorations and Priorities (\$ in Millions)

Administration General Fund Reductions Rejected or Modified by Committee

<u>Administration Proposal</u>	<u>Admin</u>	<u>APP</u>	<u>Diff.</u>
Delay Reduction to Medicaid Deficit Assessment on Hospitals	\$25.0	\$20.0	\$5.0
Payments to Prince George's Regional Medical Center*	22.5	0.0	22.5
SDAT Increase Local Cost Share to 70%	8.7	0.0	8.7
Cap Rate Increase for DDA Providers at 2%	8.4	0.0	8.4
Level Fund Disparity Grant	8.4	0.0	8.4
Repeal Mandate for Teacher Stipend and Retention Grants	8.0	4.0	4.0
Repeal Public School Opportunities Mandate	7.5	2.5	5.0
Level Fund Aid to Private Colleges and Universities	6.6	4.6	2.0
Repeal Next Generation Scholars Mandate	5.0	0.0	5.0
Repeal Funding Guideline Attainment Mandate for USM	4.0	0.0	4.0
Repeal Mandate for Expanded Hours at Enoch Pratt Library	3.0	0.0	3.0
Fund Racing Commission from Purse Dedication Account	2.5	0.0	2.5
SDAT Include Executive Direction in Local Cost Share	2.1	0.0	2.1
No Funds for Construction Education and Innovation	0.3	0.0	0.3
Repeal Robotic Grants Mandate	0.3	0.0	0.3
Total Reductions	\$112.3	\$31.1	\$81.2

DDA: Developmental Disabilities Administration

SDAT: State Department of Assessments and Taxation

USM: University System of Maryland

*Includes \$7.5 million negative deficiency appropriation for fiscal 2017.

House Appropriations Committee
Status as of March 10, 2017

	<u>FY 2017</u>	<u>FY 2018</u>
Starting General Fund Balance	\$384,503,037	\$57,727,412
Revenues		
BRE Estimated Revenues – December 2016	\$16,621,336,283	\$17,180,332,788
BRE Revenue Revision – March 2017	-35,319,546	2,278,991
Budget Reconciliation Legislation – Revenues	18,000,000	10,600,000
Budget Reconciliation Legislation – Transfers	202,500,000	0
Additional Revenues	32,693,000	25,658,397
Subtotal Revenues	\$16,839,209,737	\$17,218,870,176
Subtotal Available Revenues	\$17,223,712,774	\$17,276,597,588
Appropriations		
General Fund Appropriations	\$17,235,607,256	\$17,412,637,677
Deficiencies	163,534,492	24,560,106
Legislative Reductions/Contingent Legislation	4,971,225	-267,601,529
Estimated Agency Reversions	-155,788,821	-30,250,000
Subtotal Appropriations	\$17,165,985,362	\$17,139,346,254
Closing General Fund Balance	\$57,727,412	\$137,251,334

BRE: Board of Revenue Estimates

Spending Affordability Analysis
House Appropriations Committee
Fiscal 2018
(\$ in Millions)

Target

Estimated Structural Gap (December 2016)	\$377
Target Reduction	\$189

Revenues

	\$17,219		
Other One-time Items	-1		

Subtotal **\$17,218**

Spending

	\$17,139		
Rainy Day Fund	-10		
Medicaid Cigarette Restitution Fund Funding	16		
Hospital Deficit Assessment	20		
Other Ongoing Spending	7		
Pay-as-you-go Capital	-10		

\$17,163

Subtotal

Amount Reduced from Structural Shortfall	\$432
Surplus/(Deficit)	\$55

State Expenditures – General Funds

(\$ in Millions)

<u>Category</u>	APP	FY 2018	APP	APP	FY 2017 to FY 2018	
	FY 2017 <u>Work. Approp.</u>	<u>Allowance</u>	FY 2018 <u>Reductions</u>	FY 2018 <u>Appropriation</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$283.0	\$263.0	\$30.0	\$233.0	-\$50.0	-17.7%
County/Municipal	\$285.6	\$298.1	\$26.1	\$272.0	-\$13.6	-4.8%
Community Colleges	315.2	319.6	1.8	317.7	2.5	0.8%
Education/Libraries	5,922.2	5,935.2	21.0	5,914.2	-8.0	-0.1%
Health	49.5	51.8	0.7	51.1	1.6	3.2%
Aid to Local Governments	\$6,572.5	\$6,604.7	\$49.7	\$6,555.0	-\$17.5	-0.3%
Foster Care Payments	\$177.8	\$184.5	\$0.4	\$184.1	\$6.3	3.5%
Assistance Payments	64.5	67.3	6.0	61.3	-3.2	-4.9%
Medical Assistance	2,995.7	3,194.2	25.8	3,168.4	172.7	5.8%
Property Tax Credits	82.3	87.5	0.0	87.5	5.2	6.3%
Entitlements	\$3,320.3	\$3,533.6	\$32.2	\$3,501.3	\$181.0	5.5%
Health	\$1,369.2	\$1,427.6	\$8.3	\$1,419.3	\$50.1	3.7%
Human Resources	406.6	393.7	10.4	383.4	-23.3	-5.7%
Children's Cabinet Interagency Fund	16.6	18.7	0.1	18.6	2.0	11.7%
Juvenile Services	272.4	273.5	0.5	272.9	0.5	0.2%
Public Safety/Police	1,523.0	1,509.5	4.7	1,504.7	-18.2	-1.2%
Higher Education	1,422.2	1,450.6	7.2	1,443.4	21.2	1.5%
Other Education	414.3	441.4	4.9	436.6	22.3	5.4%
Agriculture/Natural Res./Environment	119.6	126.5	4.5	122.0	2.4	2.0%
Other Executive Agencies	709.3	694.7	10.7	684.0	-25.3	-3.6%
Judiciary	481.7	505.2	19.8	485.4	3.7	0.8%
Legislative	89.2	90.6	0.3	90.3	1.1	1.3%
State Agencies	\$6,824.0	\$6,931.8	\$71.4	\$6,860.5	\$36.5	0.5%
Total Operating	\$16,999.8	\$17,333.1	\$183.3	\$17,149.8	\$150.0	0.9%
Capital ⁽¹⁾	\$40.8	\$29.5	\$20.0	\$9.5	-\$31.3	-76.7%
Subtotal	\$17,040.6	\$17,362.6	\$203.3	\$17,159.3	\$118.7	0.7%
Reserve Funds	\$155.4	\$50.0	\$40.0	\$10.0	-\$145.4	-93.6%
Appropriations	\$17,196.0	\$17,412.6	\$243.3	\$17,169.3	-\$26.6	-0.2%
Reversions	-\$30.0	-\$30.0	\$0.0	-\$30.0	\$0.0	0.0%
Grand Total	\$17,166.0	\$17,382.6	\$243.3	\$17,139.3	-\$26.6	-0.2%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2017 working appropriation includes \$155.6 million in deficiencies, \$125.8 million in targeted reversions, and House Appropriations Committee cuts to the deficiencies including \$2.4 million that is contingent on the Budget Reconciliation and Financing Act of 2017 ((BRFA), HB 152). Fiscal 2017 also reflects \$7.9 million in additional general fund aid to education funding to offset a reduction in the gaming revenue estimate. The fiscal 2018 House Appropriations Committee cuts of \$243.3 million include \$170.7 million in reductions contingent on the BRFA and the addition of \$24.6 million in general fund aid to education to offset a reduction in the gaming revenue estimate.

State Expenditures – State Funds (\$ in Millions)

<u>Category</u>	APP		APP	APP	FY 2017-2018	
	FY 2017 <u>Work. Approp.</u>	FY 2018 <u>Allowance</u>	Reductions + <u>SF Add-backs</u>	FY 2018 <u>Appropriation</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,489.5	\$1,567.6	\$6.8	\$1,560.8	\$71.3	4.8%
County/Municipal	\$627.7	\$712.2	\$26.1	\$686.2	\$58.4	9.3%
Community Colleges	315.2	319.6	1.8	317.7	2.5	0.8%
Education/Libraries	6,396.8	6,481.9	45.6	6,436.3	39.5	0.6%
Health	49.5	51.8	0.7	51.1	1.6	3.2%
Aid to Local Governments	\$7,389.2	\$7,565.5	\$74.3	\$7,491.3	\$102.1	1.4%
Foster Care Payments	\$180.0	\$188.9	\$0.4	\$188.4	\$8.4	4.7%
Assistance Payments	77.8	79.8	6.0	73.8	-4.0	-5.1%
Medical Assistance	3,970.4	4,163.2	0.0	4,163.2	192.8	4.9%
Property Tax Credits	82.3	87.5	0.0	87.5	5.2	6.3%
Entitlements	\$4,310.5	\$4,519.3	\$6.4	\$4,512.9	\$202.4	4.7%
Health	\$1,887.3	\$1,895.3	\$8.8	\$1,886.5	-\$0.8	0.0%
Human Resources	504.7	487.5	10.6	476.9	-27.8	-5.5%
Children's Cabinet Interagency Fund	16.6	18.7	0.1	18.6	2.0	11.7%
Juvenile Services	276.2	276.7	0.5	276.1	-0.1	0.0%
Public Safety/Police	1,747.7	1,731.4	5.0	1,726.3	-21.4	-1.2%
Higher Education	5,782.8	5,893.5	7.2	5,886.2	103.5	1.8%
Other Education	484.3	513.5	9.7	503.8	19.6	4.0%
Transportation	1,811.2	1,909.1	1.4	1,907.7	96.5	5.3%
Agriculture/Natural Res./Environment	400.2	423.4	10.0	413.3	13.1	3.3%
Other Executive Agencies	1,419.5	1,408.4	23.5	1,384.9	-34.7	-2.4%
Judiciary	541.0	571.6	19.9	551.7	10.7	2.0%
Legislative	89.2	90.6	0.3	90.3	1.1	1.3%
State Agencies	\$14,960.7	\$15,219.4	\$97.1	\$15,122.3	\$161.6	1.1%
Total Operating	\$28,149.9	\$28,871.9	\$184.6	\$28,687.3	\$537.4	1.9%
Capital ⁽¹⁾	\$1,919.2	\$1,940.7	\$21.6	\$1,919.2	\$0.0	0.0%
– Transportation	1,554.5	1,575.6	0.6	1,575.1	20.5	1.3%
– Environment	210.3	187.6	0.0	187.6	-22.7	-10.8%
– Other	154.3	177.5	21.0	156.5	2.2	1.4%
Subtotal	\$30,069.1	\$30,812.7	\$206.2	\$30,606.5	\$537.4	1.8%
Reserve Funds	\$155.4	\$50.0	\$40.0	\$10.0	-\$145.4	-93.6%
Appropriations	\$30,224.5	\$30,862.7	\$246.2	\$30,616.5	\$392.0	1.3%
Reversions	-\$30.0	-\$30.0	\$0.0	-\$30.0	\$0.0	0.0%
Grand Total	\$30,194.5	\$30,832.7	\$246.2	\$30,586.5	\$392.0	1.3%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2017 working appropriation reflects deficiencies of \$229.5 million, \$125.8 million in targeted reversions, House Appropriations Committee reductions to the deficiencies including \$2.6 million contingent on the Budget Reconciliation and Financing Act ((BRFA), HB 152), and \$968,000 in additional special fund spending due to funding swaps. The fiscal 2018 House Appropriations Committee cuts of \$246.2 million include \$175.4 million in reductions contingent on the BRFA and \$50.1 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds (\$ in Millions)

<u>Category</u>	<u>APP FY 2017 Work. Approp.</u>	<u>FY 2018 Allowance</u>	<u>APP Reductions + SF Add-backs</u>	<u>APP FY 2018 Appropriation</u>	<u>FY 2017-2018 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,501.1	\$1,579.2	\$6.8	\$1,572.3	\$71.3	4.7%
County/Municipal	\$715.2	\$784.6	\$26.1	\$758.5	\$43.3	6.1%
Community Colleges	315.2	319.6	1.8	317.7	2.5	0.8%
Education/Libraries	7,333.5	7,475.2	45.6	7,429.6	96.0	1.3%
Health	54.0	56.3	0.7	55.6	1.6	3.0%
Aid to Local Governments	\$8,417.9	\$8,635.6	\$74.3	\$8,561.4	\$143.5	1.7%
Foster Care Payments	\$262.3	\$262.7	\$0.4	\$262.3	\$0.0	0.0%
Assistance Payments	1,333.4	1,276.2	6.0	1,270.2	-63.2	-4.7%
Medical Assistance	10,836.9	11,082.3	0.0	11,082.3	245.4	2.3%
Property Tax Credits	82.3	87.5	0.0	87.5	5.2	6.3%
Entitlements	\$12,514.9	\$12,708.7	\$6.4	\$12,702.3	\$187.3	1.5%
Health	\$2,863.0	\$2,885.7	\$10.3	\$2,875.4	\$12.4	0.4%
Human Resources	986.6	1,045.5	11.6	1,033.9	47.3	4.8%
Children's Cabinet Interagency Fund	16.6	18.7	0.1	18.6	2.0	11.7%
Juvenile Services	281.1	281.5	0.6	281.0	-0.1	0.0%
Public Safety/Police	1,790.3	1,768.7	5.1	1,763.6	-26.7	-1.5%
Higher Education	5,782.8	5,893.5	7.2	5,886.2	103.5	1.8%
Other Education	738.5	788.9	10.0	778.9	40.4	5.5%
Transportation	1,908.4	2,006.6	1.4	2,005.2	96.8	5.1%
Agriculture/Natural Res./Environment	469.4	489.6	10.2	479.4	10.1	2.1%
Other Executive Agencies	2,033.3	2,031.4	24.1	2,007.3	-26.0	-1.3%
Judiciary	542.1	571.6	19.9	551.7	9.7	1.8%
Legislative	89.2	90.6	0.3	90.3	1.1	1.3%
State Agencies	\$17,501.1	\$17,872.2	\$100.7	\$17,771.5	\$270.4	1.5%
Total Operating	\$39,935.0	\$40,795.7	\$188.2	\$40,607.5	\$672.5	1.7%
Capital ⁽¹⁾	\$3,008.6	\$2,996.3	\$21.6	\$2,974.7	-\$34.0	-1.1%
– Transportation	2,570.8	2,525.2	0.6	2,524.6	-46.3	-1.8%
– Environment	254.6	230.2	0.0	230.2	-24.4	-9.6%
– Other	183.2	240.9	21.0	219.9	36.7	20.0%
Subtotal	\$42,943.6	\$43,792.0	\$209.9	\$43,582.1	\$638.5	1.5%
Reserve Funds	\$155.4	\$50.0	\$40.0	\$10.0	-\$145.4	-93.6%
Appropriations	\$43,099.0	\$43,842.0	\$249.9	\$43,592.1	\$493.2	1.1%
Reversions	-\$30.0	-\$30.0	\$0.0	-\$30.0	\$0.0	0.0%
Grand Total	\$43,069.0	\$43,812.0	\$249.9	\$43,562.1	\$493.2	1.1%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2017 working appropriation reflects deficiencies of \$1,044.3 million, \$125.8 million in targeted reversions, House Appropriations Committee reductions to the deficiencies including \$3.7 million contingent on the Budget Reconciliation and Financing Act ((BRFA), HB 152), and \$968,000 in additional special fund spending due to funding swaps. The fiscal 2018 House Appropriation Committee cuts of \$249.9 million include \$177.4 million in reductions contingent on the BRFA and \$50.1 million in additional special fund spending due to funding swaps.

Fiscal Note

Summary of the Budget Bill – House Bill 150

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Higher Education Funds</u>	<u>Total Funds</u>
Governor's Allowance					
Fiscal 2017 Budget	\$17,153,079,306	\$8,755,242,228	\$12,875,570,384	\$4,290,391,574	\$43,074,283,492
Fiscal 2018 Budget	17,382,387,677	9,078,690,271	12,979,328,363	4,371,344,992	43,811,751,303
Additional General Fund Spending to Offset Lower Education Trust Fund Revenue⁽³⁾					
Fiscal 2017 Deficiencies	\$7,934,831	-\$7,934,831	\$0	\$0	\$0
Fiscal 2018 Budget	24,560,106	-24,560,106	0	0	0
Subtotal	\$32,494,937	-\$32,494,937	\$0	\$0	\$0
Budget Reconciliation and Financing Act of 2017					
Fiscal 2017 Deficiencies	-\$2,428,000	\$780,500	-\$1,040,000	\$0	-\$2,687,500
Fiscal 2018 Contingent Reductions	-170,673,418	16,395,541	-2,078,909	0	-156,356,786
Subtotal	-\$173,101,418	\$17,176,041	-\$3,118,909	\$0	-\$159,044,286
House Appropriations Committee Reductions					
Fiscal 2017 Deficiencies	\$7,399,225	-\$10,000,000	\$0	\$0	-\$2,600,775
Fiscal 2018 Budget	-96,928,111	5,253,238 ⁽⁴⁾	-1,573,044	0	-93,247,917
Total Reductions	-\$89,528,886	-\$4,746,762	-\$1,573,044	\$0	-\$95,848,692
Appropriations					
Fiscal 2017 Budget	\$17,165,985,362	\$8,738,087,897	\$12,874,530,384	\$4,290,391,574	\$43,068,995,217
Fiscal 2018 Budget	17,139,346,254	9,075,778,944	12,975,676,410	4,371,344,992	43,562,146,600
Change	-\$26,639,108	\$337,691,047	\$101,146,026	\$80,953,418	\$493,151,383

⁽¹⁾ Reflects \$1.048 billion in proposed deficiencies, including \$155.6 million in general funds, \$73.9 million in special funds, \$814.8 million in federal funds, and \$4.1 million in current unrestricted funds. Reversion assumptions total \$155.8 million in general funds, including \$30.0 million in unspecified reversions and \$125.8 million in targeted reversions.

⁽²⁾ Reversion assumptions total \$30.3 million in general funds, including \$30.0 million in unspecified reversions and \$0.3 million in targeted reversions. Across-the-board reductions total \$16.9 million reflecting a reduction across the Department of Public Safety and Correctional Services.

⁽³⁾ March 2016 write-downs of revenue into the Education Trust Fund will require additional general fund expenditures for education aid. Funding shown is the assumed level of additional expenditures.

⁽⁴⁾ Special Fund reductions assume the addition of \$5.8 million in Cigarette Restitution Fund support for Medicaid and \$23.2 million in additional bond premium support for debt service payments.

**General Fund Revenues
2017 Session Legislation
Fiscal 2017 and 2018
(\$ in Millions)**

Budget Reconciliation and Financing Act (HB 152)

	<u>Admin.</u>	<u>APP</u>
<u>Fiscal 2017 Revenues</u>		
Lottery Revenue from Repeal of Chapter 727 of 2016	\$1.0	\$1.0
VW Settlement	12.0	12.0
Moody's Settlement		5.0
Total Fiscal 2017 Revenues	\$13.0	\$18.0
 <u>Fiscal 2018 Revenues</u>		
Lottery Revenue from Repeal of Chapter 727 of 2016	\$1.0	\$1.0
Reduce Lottery Agent Commission from 5.5% to 5.0%		9.6
Total Fiscal 2018 Revenues	\$1.0	\$10.6

**General Fund Transfers
Contingent on the Budget Reconciliation and Financing
Act of 2017 (HB 152)
(\$ in Millions)**

	Admin. <u>Plan</u>	<u>House</u>
<u>Transfers – Fiscal 2017</u>		
Rainy Day Fund	\$170.0	\$170.0
University System of Maryland Fund Balance		30.0
Maryland Correctional Enterprises		2.5
Total Transfers	\$170.0	\$202.5
 <u>Transfers – Fiscal 2018</u>		
Maryland Correctional Enterprises	\$2.5	\$0.0
Total Transfers	\$2.5	\$0.0

General Fund Reductions
Contingent on the Budget Reconciliation and Financing Act (HB 152)
(\$ in Millions)

	<u>APP</u>
Contingent Reductions – Fiscal 2017	
Fund Swap in Department of General Services	\$1.0
Unspent Funds for DDA Utilization Review	1.5
Total Reductions	\$2.4
 Contingent Reductions – Fiscal 2018	
Reduce Supplemental Payment to Pension System to \$75 Million	\$50.0
Reduce Appropriation to Rainy Day Fund	40.0
Fund Strategic Demolition and Smart Growth Impact Fund with Bonds	25.6
Slow Phase-down of Medicaid Deficit Assessment on Hospitals	20.0
Fund Baltimore Regional Neighborhood Initiative with Bonds	12.0
Fund Seed Anchor Institution Program with Bonds	5.0
Reduce Teacher Induction, Retention, and Advancement Pilot and Amount of Teacher Stipends	4.0
Fund Behavioral Health Services for Uninsured with Special Funds	3.8
Fund Shelter and Transitional Housing Grant with Bonds	3.0
Phase-in Funding for Public School Opportunities	2.5
Phase-in Next Generation Farmland Funding	2.5
Fund Mental Health Services with Senior Prescription Drug Revenues	1.1
Level Fund Local Health Grant	0.7
Level Fund Police Aid	0.5
Total Reductions	\$170.7

DDA: Developmental Disabilities Administration

House Appropriations Committee Action on the Budget Reconciliation and Financing Act of 2017 (HB 152)

The Budget Reconciliation and Financing Act of 2017, as amended¹ by the House Appropriations Committee, accomplishes the following for the General Fund:

Fiscal 2017 Fund Transfers	\$202.5 million
Fiscal 2017 Revenues	18.0 million
Fiscal 2018 Revenues	10.6 million
Fiscal 2017 Expenditure Reductions	2.4 million
Fiscal 2018 Expenditure Reductions	170.7 million
Total Budgetary Action	\$404.2 million

Amend. No.

Repeals the provision of Chapter 727 of 2016 that established the mandated funding, from lottery revenues, for the Maryland International thoroughbred race; a grant to the Maryland Humanities Council of Maryland, a youth and amateur sports grant program, and a bonus award program for Maryland-bred horses (pages 6-7).

Authorizes, rather than requires, funding for the Maryland International thoroughbred race from the thoroughbred share of the Purse Dedication Account (page 8).

2

Reduces the fiscal 2018 mandated appropriation for the Teacher Induction, Retention, and Advancement Pilot Program to \$2.1 million from \$5.0 million. Restores the full mandate beginning in fiscal 2019 (page 8).

3

Adopts a provision to reduce the mandated funding for teacher stipends in fiscal 2018, but modifies the provision to restore the full mandated funding beginning in fiscal 2019 (pages 8-9).

4

Strikes a provision to repeal a fiscal 2017 through 2019 mandate for stipends for certain teachers in Anne Arundel County (page 10).

5

Strikes a provision to repeal the general fund mandate for the Robotics Grant Program under the Maryland State Department of Education (page 10).

6

¹ Provisions added or amended in whole or in part, except by a technical amendment, are noted in *italics*.

Reduces the fiscal 2018 mandated appropriation for the Public School Opportunities Enhancement Program to \$5.0 million from \$7.5 million. Restores the full mandate beginning in fiscal 2019 (pages 10-11).

7

Strikes the provision that would reduce funding for the Joseph A. Sellinger Program to the fiscal 2017 cost containment level (pages 11-12).

8

Strikes the provision that repeals the general fund mandate for the Next Generation Scholars of Maryland Program (pages 12-13).

9

Strikes the provision that repeals the general fund mandate to enable the Enoch Pratt Free Library to increase its operating hours (pages 13-14).

10

Reduces the mandated funding level for locals under the Core Public Health Services program to the fiscal 2017 level (pages 14-15).

Strikes a provision that reduces the mandated provider rate increase under the Developmental Disabilities Administration from 3.5% to 2.0% in fiscal 2018 (page 15).

11

Allows the use of excess funds from the Senior Prescription Drug Assistance Program for mental health services for the uninsured but modifies the provision so that it applies to fiscal 2018 only (pages 15-16).

12

Adds a provision to allow the Department of Health and Mental Hygiene to charge the Maryland Health Care Commission and the Health Services Cost Review Commission a higher indirect cost rate for fiscal 2018 only (pages 16-17).

13

Allows the use of the Community Health Resources Commission Fund for mental health services for the uninsured, but modifies the provision so that it applies to fiscal 2018 only (pages 17-18).

14

Strikes a provision that reduces the mandated funding amount by \$15.0 million in fiscal 2018 for an operating grant to the Prince George's Regional Medical Center, and strikes the provision that extends the out-year funding by an additional year (page 18).

15

Strikes a provision that repeals the mandated funding for the Shelter and Transitional Housing Facilities Grant Program and instead retains the mandate but authorizes the use of general obligation bond funds to meet the mandate in fiscal 2018 through 2022 (pages 18-19).

16

Allows the mandated funding for the Strategic Demolition and Smart Growth Impact Fund to be provided in the capital budget through proceeds of general obligation bonds for fiscal 2018 and 2019 (page 19).

Strikes a provision that repeals the mandated funding for the Seed Community Development Anchor Institution Fund and instead retains the mandate but authorizes the use of general obligation bond funds to meet the mandate (page 19).

16
Cont.

Strikes a provision that reduces the fiscal 2018 mandate and repeals the mandated out-year funding for the Baltimore Regional Neighborhood Initiative and instead retains the full mandate but authorizes the use of general obligation bond funds to meet the mandate in fiscal 2018 through 2022 (pages 19-20).

16
Cont.

Strikes a provision that repeals the mandated funding of \$250,000 for the Maryland Center for Construction Education and Innovation (page 20).

17

Strikes a provision that repeals the minimum grant amount of 67.5% of the disparity grant calculation provided in fiscal 2018 and 2019 only for counties with a tax rate of at least 3.2%, and strikes a provision that would fund the disparity grant at the fiscal 2017 cost containment level in fiscal 2018 (pages 20-21).

18

Adds a provision that specifies that the requirement to budget 100.0% of the Maryland Park Service's own-sourced revenues is based on the actual revenues from two fiscal years preceding the proposed fiscal year (page 21).

19

Reduces the mandated funding level for the State Aid for Police Protection program to the fiscal 2017 level (pages 21-22).

Adds a provision to expand legislative review of any programmatic change that results in a federal block grant by broadening the definition of a block grant (pages 22-23).

20

Adds a provision to establish a staggered triennial review cycle and annual reporting requirement related to interagency agreements that have been in place for three or more years and have actual expenditures that exceed \$750,000 (pages 23-24).

20
Cont.

Adds a provision that requires the Department of Budget and Management to publish personnel and agency performance data in the annual printed budget books and on the department's website (pages 24-30).

21

Repeals the mandate, for fiscal 2018 only, for an appropriation to the State Retirement and Pension System equal to one-half of the amount by which the unappropriated general fund surplus exceeds \$10.0 million in the preceding fiscal year (pages 30-31).

Adds a provision that reduces the sales commissions paid to State lottery retailers from 5.5% to 5.0% (page 31).

22

Strikes a provision to fund the expenses of the Division of Racing from the Purse Dedication Account in lieu of general funds, and strikes a provision to require the Purse Dedication Account to fund the Maryland International thoroughbred race and a Preakness bonus program, and instead authorizes the race to be funded through the Purse Dedication Account (pages 32-33).

23

Adds a provision to allocate a portion of the admissions and amusement tax revenue accruing to the Special Fund for the Preservation of the Cultural Arts to a grant for the Arts Council of Anne Arundel County beginning in fiscal 2019 (pages 33-35).

23
Cont.

Strikes a provision to increase the local share of the costs of certain activities of the State Department of Assessments and Taxation from 50.0% to 70.0% and to 90.0% in fiscal 2019 and thereafter. Also strikes the provision that would add the costs of the Office of the Director to the cost-share arrangement (page 35).

24

Reduces the mandated funding level under the Maryland Resource-Based Industry Development Corporation's Next Generation Farmland Acquisition Program by \$2.5 million in fiscal 2018 and extends funding of \$2.5 million to fiscal 2019 (page 35).

Adds a provision to establish the Comptroller of Maryland as the administering agency for the Maryland Emergency Medical System Operations Fund (pages 35-37).

25

Modifies the reduction to the Medicaid Deficit Assessment to \$20.0 million in fiscal 2018 (page 37).

26

Strikes the provision that repeals the requirement that at least \$4.0 million be included in the allowance for the University System of Maryland Office to increase the estimated funding guideline attainment for institutions with the lowest estimated funding guideline attainment in fiscal 2016 (pages 37-38).

27

Modifies a provision to authorize the transfer of \$2.5 million from the Maryland Correctional Enterprises Revolving Loan Fund to the General Fund in fiscal 2017 instead of fiscal 2018 (page 38).

28

Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee to no more than 2.0% over the rates in effect for fiscal 2017 (page 38).

Authorizes the transfer of \$170.0 million from the Revenue Stabilization Account in fiscal 2017 (page 38).

Reduces the fiscal 2018 funding to the Revenue Stabilization Account by \$40.0 million (page 38).

Strikes a provision to allow the use of up to \$1.0 million in the Housing Counseling and Foreclosure Mediation Fund for the Department of Housing and Community Development's operating expenses in fiscal 2018 (page 38).

29

Allows the Maryland Department of the Environment to use up to \$60.0 million of revenue bond proceeds and funds in the Bay Restoration Fund for Biological Nutrient Removal upgrades of wastewater treatment plants (page 38).

Adds a provision to authorize the transfer of \$3.0 million from the Jane E. Lawton Conservation Fund to the State Agency Loan Program Fund in fiscal 2017 (page 38).

29
Cont.

Adds a provision to authorize the transfer of \$30.0 million from the University System of Maryland fund balance to the General Fund in fiscal 2017 (page 38).

29
Cont.

Adds a provision to revert \$1.46 million in general funds in fiscal 2017 under the Developmental Disabilities Administration for utilization review audit contracts (page 39).

29
Cont.

Adds a provision to withdraw a fiscal 2017 special fund appropriation of \$187,500 under the Department of Housing and Community Development and return the funds to the Small, Minority, and Women-Owned Business Account within the Department of Commerce (page 39).

29
Cont.

Adds a provision that requires the Department of Human Resources to use savings in the Assistance Payments Program in fiscal 2017 to reduce the Temporary Assistance for Needy Families deficit (page 39).

29
Cont.

Adds a provision that requires a \$968,000 reduction in unexpended fiscal 2017 general funds under the Department of General Services and authorizes a fiscal 2017 special fund budget amendment of \$968,000 from eMaryland Marketplace fees that were recorded as deferred revenue at the close of fiscal 2016 (page 39).

29
Cont.

Adds a provision that authorizes the transfer of \$2,561,757 from the Small, Minority, and Women-Owned Business Account to the Education Trust Fund in fiscal 2018 (page 39).

29
Cont.

Adds provisions that authorize the transfer of funds attributable to the admission and amusement tax revenue that accrues to the Special Fund for the Preservation of Cultural Arts to a grant for the Maryland Humanities Council in fiscal 2018 and 2019 (page 39).

29
Cont.

Requires, rather than authorizes, the Comptroller of Maryland to transfer up to \$12.0 million from the Consumer Protection Recoveries Fund to the General Fund if the Office of the Attorney General does not transfer \$12.0 million of the recovery from the Volkswagen Clean Diesel settlement (page 40).

30

Adds a provision that requires the Comptroller of Maryland to transfer up to \$11.0 million of the recovery from the Moody's Corporation settlement from the Office of the Attorney General's Consumer Protection Recoveries fund to the General Fund (page 40).

30
Cont.

Strikes a provision that caps the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%; excepting specified mandates related to K-12 education funding, Reserve Fund requirements, and debt service requirements (page 40).

31

Adds a provision that extends legislative review, for two years, to program changes that would make it harder to qualify for benefits, expand beneficiary cost sharing, or impose limitations on benefits in relation to Medicaid and the Supplemental Nutrition Assistance Program (pages 40 41).

31
Cont.

Requires \$4.6 million in excess Baltimore City contributions to the Baltimore City Public School Construction Financing Fund to be credited to Baltimore City Public Schools to provide a portion of its required contribution in fiscal 2018 instead of the Comptroller intercepting State education aid (page 41).

31
Cont.

Adds a provision that requires a report on the Baltimore City Public School System structural deficit in fiscal 2018, 2019, and 2020 (pages 41-42).

31
Cont.

Technical Amendments:

- *Purpose and function paragraphs and renumbering.*
- *Other technical.*

1

32

General Fund Budget Outlook
Fiscal 2017-2022
(\$ in Millions)

	<u>2017</u> <u>Work. App.</u>	<u>2018</u> <u>Allowance</u>	<u>2019</u> <u>Est.</u>	<u>2020</u> <u>Est.</u>	<u>2021</u> <u>Est.</u>	<u>2022</u> <u>Est.</u>	<u>2018-22</u> <u>Average</u> <u>Annual</u> <u>Change</u>
Revenues							
Opening Fund Balance	\$385	\$58	\$137	\$0	\$0	\$0	
Transfer	203	0	41	37	36	34	
One-time Revenues/Legislation	64	1	0	0	0	0	
Subtotal One-time Revenue	\$651	\$59	\$178	\$37	\$36	\$34	
Ongoing Revenues	\$16,572	\$17,208	\$17,736	\$18,366	\$19,042	\$19,769	
Revenue Adjustments – Legislation	0	10	10	10	10	10	
Subtotal Ongoing Revenue	\$16,572	\$17,218	\$17,745	\$18,376	\$19,052	\$19,779	3.5%
Total Revenues and Fund Balance	\$17,224	\$17,277	\$17,924	\$18,413	\$19,088	\$19,813	3.5%
Ongoing Spending							
Operating Spending	\$17,378	\$17,840	\$18,918	\$19,844	\$20,877	\$21,756	
Education Trust Fund ¹	-459	-522	-529	-537	-545	-553	
Ongoing (Reductions)/Additions	5	-155	-67	-67	-67	-68	
Subtotal Ongoing Spending	\$16,925	\$17,163	\$18,322	\$19,240	\$20,265	\$21,135	5.3%
One-time Spending							
PAYGO Capital	\$62	\$55	\$108	\$80	\$80	\$61	
One-time Reductions	-19	-113	-20	-20	-20	-20	
Legislation/One-time Adjustments/Swaps	43	-16	0	0	0	0	
Appropriation to Reserve Fund	155	50	74	50	83	83	
Subtotal One-time Spending	\$241	-\$24	\$162	\$110	\$143	\$124	
Total Spending	\$17,166	\$17,139	\$18,485	\$19,350	\$20,408	\$21,259	5.5%
Ending Balance	\$58	\$137	-\$561	-\$937	-\$1,320	-\$1,445	
Rainy Day Fund Balance	\$831	\$860	\$887	\$919	\$953	\$989	
Balance over 5% of General Fund Revenues	2	-1	0	0	0	-0.3	
As % of GF Revenues	5.01%	4.99%	5.00%	5.00%	5.00%	5.00%	
Structural Balance	-\$352	\$55	-\$577	-\$864	-\$1,213	-\$1,355	

PAYGO: pay-as-you-go

¹ Education Trust Fund is supported by revenues from video lottery terminals and table games.