

Conference Committee

Summary Report on

Senate Bill 185 – the Budget Bill

and

Senate Bill 187 – the Budget Reconciliation and

Financing Act

Maryland General Assembly
Annapolis, Maryland

March 27, 2018

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Fiscal 2019 Budget

Budget Bill (SB 185) and the

Budget Reconciliation and Financing Act (SB 187)

As Amended by the Conference Committee

Achieves Spending Affordability Committee Goals: The proposed budget achieves the Spending Affordability Committee's dual goal of leaving a fund balance of at least \$100 million and eliminating the structural shortfall in fiscal 2019. The committee's actions leave a fund balance of \$201.4 million and produce a structural surplus of \$158 million.

Preserves Reserves: Almost \$1.1 billion in cash resources are preserved including \$879 million in the Rainy Day Fund and \$201.4 million in the General Fund.

Constrains Growth in Spending: Spending grows \$969.7 million, or 2.2%, to \$44.6 billion for fiscal 2019.

Maintains the State's Commitment to Public Schools: Under the committee's budget proposal, State support for public schools will exceed \$6.5 billion. Direct aid to local school systems will increase an estimated \$161.3 million, or 2.9%. The budget plan dedicates \$200 million to support the future cost of implementing the recommendations of the Commission on Innovation and Excellence in Education (Kirwan Commission) and provides \$11.4 million in fiscal 2019 to implement the initial recommendations of the commission.

Restores Funds for Legislative Priorities: More than \$114 million of general fund reductions proposed by the Administration through the Budget Reconciliation and Financing Act are restored reflecting legislative priorities. Restorations preserve \$33.6 million for local governments and \$57.4 million for providers of health care services to vulnerable populations. Another \$44.5 million is re-purposed in the budget to support legislative priorities including \$9 million for school safety grants, \$5 million for violence intervention and prevention, and \$20.2 million for rate increases for providers serving vulnerable populations.

Continues to Provide Vital Health Care Services: Medicaid funding totals \$11.4 billion allowing the State to provide coverage to 1.4 million residents. Expenditures grow by about \$181 million to fund enrollment and provider rate increases.

Supports Student Safety: The operating budget includes \$26.0 million in new funding to protect Maryland students including \$10 million to be allocated by the Interagency Committee for School Construction for school facility improvements, \$10 million for one-time operating grants to local school systems to improve safety and security, \$2.5 million for safety assessments, \$2.5 million to enhance the capabilities of the

Maryland Center for School Safety, and \$1 million for schools and day care centers at risk of hate crimes.

Promotes Affordability of Higher Education: State support for Maryland's public four-year colleges and universities grows by \$60.8 million (4.1%) allowing undergraduate tuition rates to increase a modest 2.0%. Community colleges limiting tuition growth to 2% will share \$2.0 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 and people with behavioral health needs. Rate increases of 3.0% are funded for nursing homes, community-based providers offering services that are alternatives to nursing home placements, and providers serving children in residential settings. Rate increases of 1.0% are funded for most other health and human service providers.

Employee Compensation: A 2% general salary increase is funded effective January 2019. If fiscal 2018 revenues exceed forecasted levels by at least \$75 million, employees will receive an additional 0.5% increase and a \$500 bonus in April 2019.

Fiscal 2019 Balancing Strategy

	<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
Fiscal 2019 Balance Before Legislation	-\$295.2	-\$295.2	-\$295.2	-\$295.2
Legislation				
Budget Reconciliation and Financing Act (BRFA)	414.1	294.9	300.4	289.1
Dedicate Funds for Future Education Costs (BRFA)		-200.0	-200.0	-200.0
Increase Standard Deduction		-87.0	-5.3	TBD
Expand Earned Income Credit		-7.5		TBD
Tax Relief for Veterans and Hometown Heroes	-14.5	-6.0	-1.2	TBD
Tax Relief Retirement Income – IRA Rollover			-10.0	TBD
Small Business Tax Relief Credit	-5.0	-5.0	0.0	TBD
Financial Institutions Special Fund (SB 6/HB 187)	1.3	0.2	0.2	0.2
Revenue Adjustments				
BRE March 2018 – Adjust for Federal Tax Changes	547.1	547.1	547.1	547.1
BRE March 2018 – Other Adjustments	-152.9	-152.9	-152.9	-152.9
Spending				
Supplemental Budget No. 1	10.0	10.0	10.0	10.0
Supplemental Budgets No. 2 and No. 3	-28.7	-28.7	-28.7	-28.7
Net Legislative Budget Cuts		25.3	44.3	31.8
Additional Savings Reserved for Legislative Priorities		42.7	42.2	44.5
Legislative Priorities		-42.7	-42.2	-44.5
Fiscal 2019 Estimated Closing Balance	\$476.1	\$95.2	\$208.7	\$201.4
Maryland Taxpayer Protection Act (SB 733/HB 875)	-\$614.8	\$0.0	\$0.0	\$0.0
Revised Fiscal 2019 Estimated Closing Balance	-\$138.7	\$95.2	\$208.7	\$201.4

BRE: Board of Revenue Estimates

IRA: Individual Retirement Account

Proposed Budget Reductions
Senate Bill 185
Fiscal 2019 Budget and Fiscal 2018 Deficiency Appropriations
(\$ in Millions)
General Funds

		<u>Senate</u>	<u>House</u>	<u>Conf.</u>
<u>Local Aid</u>				
C Reduce Funds for Teacher Induction and Retention Program to Fiscal 2018 Level		\$2.0	\$2.0	\$2.0
C Repeal Anne Arundel Teacher Pilot Program		1.9	1.9	1.9
Reduce Overbudgeted Funds for Teacher Quality Incentives		1.3	1.3	1.3
C Fund Next Generation Scholars at Fiscal 2018 Level		0.3	0.3	0.3
Total		\$5.5	\$5.5	\$5.5
<u>Medicaid</u>				
<i>Special Funds from a Legal Settlement Replace General Funds</i>		\$8.1	\$8.1	\$8.1
C Support Medicaid with Special Funds from Trauma Physician Fund		8.0	10.0	8.0
C Slow Phase-down of Medicaid Hospital Assessment		5.0	10.0	5.0
Substitute Available Special Funds for General Funds		0.0	3.9	1.9
Total		\$21.1	\$32.0	\$23.0
<u>Higher Education</u>				
C Reduce Funding for Maryland 529 Match to \$3 Million to Better Align with Actual Experience		\$4.0	\$4.0	\$4.0
Reduce Funds for Cybersecurity Scholarships				0.1
Total		\$4.0	\$4.0	\$4.1
<u>Reserves/Pensions/Debt</u>				
Reduce Appropriation to Rainy Day Fund		\$150.3	\$150.8	\$148.5
C Reduce Supplemental Payment to Pension System		50.0	50.0	50.0
Reduce Overbudgeted Debt Service Funds				3.0
Total		\$200.3	\$203.8	\$201.5
<u>State Agencies</u>				
C Accelerate Shift of State Retirees to Medicare Part D from July 2019 to January 2019		\$34.9	\$34.9	\$34.9
Reduce Salary Increases for Judges and Judicial Employees		6.7	14.0	6.7
C <i>Return Unspent Fiscal 2018 Funds for DDA to General Fund</i>		4.0	4.0	4.0
<i>Reduce Surplus Fiscal 2018 Health Insurance Funding in Judiciary and General Assembly</i>		5.5	5.5	5.5
Delete 23.25 New Pins for Judiciary and Associated Funding		1.4	4.1	1.4
Reduce Operating Funding for Judiciary		4.3	3.2	5.4
<i>Reduce Fiscal 2018 Funds for Residential Per Diems at Juvenile Services</i>		1.3	2.5	1.3
Reduce Funds for Residential Per Diems and Overtime at Juvenile Services		0.7	1.4	0.7
C <i>Capture Unspent Fiscal 2018 Funds for a \$10 Monthly Grant Increase for TDAP Enrollees</i>		1.4	1.4	1.4
<i>Require DGS to Return Funds Retained Improperly in Fiscal 2017</i>		1.3	1.3	1.3
Savings from Fund Swap for Office of Financial Regulation (Contingent on SB 6/HB 187)		1.3	1.3	1.3
Reduce Funding for Recalled Judges in Jurisdictions with Adequate Staff to Meet Workload		0.0	1.1	0.0
Operating Savings in Military Department		0.0	0.3	0.0
State Retirement Agency Custodial Banking Contract Savings		0.2	0.2	0.2
Administrative Savings in Office of Comptroller		0.0	0.1	0.6
Operating Savings in GOCCP and DBM		0.2	0.1	0.1
<i>No Deficiency for Criminal Intelligence Network Positions</i>		0.1	0.1	0.1
Total		\$63.3	\$75.4	\$64.9
<u>PAYGO</u>				
C Defer Portion of Transfer Tax Repayment		\$15.0	\$15.0	\$15.0
C Reduce Funds for SEED Community Development Anchor Institution Fund		5.0	4.0	1.0
C Reduce Funds for Baltimore Regional Neighborhood Initiative		4.0	3.0	4.0
Total		\$24.0	\$22.0	\$20.0
Total General Funds		\$318.2	\$342.7	\$318.9

Special Funds

		<u>Senate</u>	<u>House</u>	<u>Conf.</u>
<u>Operating Costs</u>				
Reduce Overbudgeted Funds for HSCRC and MHCC		\$26.0	\$26.0	\$26.0
C Accelerate Shift of State Retirees to Medicare Part D from July 2019 to January 2019		7.7	7.7	7.729
Finance Acquisition of Equipment for State Board of Elections Over Three Years		5.4	5.4	5.4
C Reduce Funding for BOOST (\$1.85 Million) and Non-Public Textbook Program (\$0.1 Million)		4.0	2.0	
Recognize State Retirement Agency Savings from New Custodial Banking Contract		0.9	0.9	0.9
<i>Reduce Surplus Fiscal 2018 Health Insurance Funding in Judiciary</i>		0.3	0.3	0.3
Align Budgeted Vacancy Rate with Actual Experience for Maryland Port Administration		0.1	0.1	0.1
Reduce Judiciary Operating Costs		0.03	0.0	
Total		\$40.4	\$44.4	\$42.4
<u>PAYGO Capital</u>				
Reduce Funding for Program Open Space State Land Acquisitions		\$1.9	\$1.9	\$0.0
Additional Vacancy Savings for Maryland Port Administration		0.04	0.04	0.04
Total		\$1.9	\$1.9	\$0.04
Total Special Fund Reductions to Governor's Proposed Budget		\$42.3	\$46.3	\$42.4

BOOST: Broadening Options and Opportunities for Students Today

DBM: Department of Budget and Management

DDA: Developmental Disabilities Administration

DGS: Department of General Services

GOCCP: Governor's Office of Crime Control and Prevention

HSCRC: Health Services Cost Review Commission

MHCC: Maryland Health Care Commission

PAYGO: pay-as-you-go

TDAP: Temporary Disability Assistance Program

Note: Fiscal 2018 deficiency reductions in *italics*.

C: These Items Are Contingent on Passage of the Budget Reconciliation and Financing Act (SB 187).

Budget Restorations and Priorities (\$ in Millions)

Administration General Fund Reductions Rejected or Modified by Conference Committee

<u>Administration Proposal</u>	<u>Admin.</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
Restructure Payments to Prince George's Regional Medical Center	\$29.0	\$0.0	\$0.0	\$0.0
Shift Property Assessment Costs to Locals	19.7	0.0	0.0	0.0
Reduce DDA Provider Rate Increase from 3.5% to 1.0%	14.6	0.0	0.0	0.0
Slow Phase-down of Medicaid Hospital Assessment	10.0	5.0	10.0	5.0
Reduce Funds for Baltimore Regional Neighborhood Initiative	9.0	4.0	3.0	4.0
Reduce Behavioral Health Provider Rate Increase from 3.5% to 2.0%	7.9	0.0	0.0	0.0
Level Fund Grant to Private Colleges and Universities	7.4	0.0	0.0	0.0
Repeal Funding for SEED Anchor Institution Program	5.0	5.0	4.0	1.0
Repeal Teacher Induction and Retention Program	5.0	2.0	2.0	2.0
Reduce Public School Opportunities Program (Re-purposed by Committee)	5.0	0.0	0.0	0.0
No Funds for Next Generation Scholars	5.0	0.3	0.3	0.3
No New Funding for UMBC to Improve Funding Guideline Attainment	4.0	0.0	0.0	0.0
Level Fund USM Center for Economic and Entrepreneurship Development	2.0	0.0	0.0	0.0
Reduce Funding for Arts Council	1.0	0.0	0.0	0.0
Level Fund BCCC	0.9	0.0	0.0	0.0
Level Fund Local Health Department Formula Grant	0.9	0.0	0.0	0.0
No Robotics Grants	0.3	0.0	0.0	0.0
Total Reductions	\$126.7	\$16.3	\$19.3	\$12.3

Budgeted Funds Restricted for Priorities Not Funded by Governor

	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
Nursing Homes – Raise Rate Increase from 1% to 3%	\$12.1	\$12.1	\$12.1
Medicaid Community Providers – Raise Rate Increase from 1% to 3%	5.1	5.1	5.1
Residential Services for Children – Raise Rate Increase from 1% to 3%	3.0	3.0	3.0
School Safety Grants	10.0	10.0	9.0
Recommendations of Innovation and Excellence in Education Commission	6.9	6.9	6.9
Violence Intervention and Prevention Program	5.0	5.0	5.0
MPT for Development of Programs on Harriet Tubman and Frederick Douglass			3.0
Maryland Humanities Council	0.1	0.1	0.1
Maryland Farms and Families Act			0.2
901 Arts			0.03
Arts Every Day			0.03
Laurel Advocacy and Referral Services			0.04
Publication of Booklets on History of Old Senate and House Chambers			0.02
Pride of Baltimore	0.5		0.0
Total Funding for Priorities Not Funded by Governor	\$42.7	\$42.2	\$44.5

BCCC: Baltimore City Community College

DDA: Developmental Disabilities Administration

MPT: Maryland Public Television

UMBC: University of Maryland Baltimore County

USM: University System of Maryland

Final Budget Status
Status as of March 26, 2018

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>
Starting General Fund Balance	\$258,549,955	\$190,168,450
Revenues		
BRE Estimated Revenues – December 2017	\$17,043,697,523	\$17,624,940,553
BRE Revenue Revision – March 2018	-39,377,354	433,612,436
Prior Budget Reconciliation Legislation	14,818,649	0
Budget Reconciliation Legislation – Revenues	0	-200,000,000
Budget Reconciliation Legislation – Transfers	9,000,000	0
Other Legislation	0	-1,044,254
Additional Revenues	35,849,928	30,083,180
Subtotal Revenues	\$17,063,988,746	\$17,887,591,915
Subtotal Available Revenues	\$17,322,538,701	\$18,077,760,365
Appropriations		
General Fund Appropriations	\$17,185,818,301	\$18,183,448,738
Other Legislation	0	-1,258,607
Deficiencies	107,430,714	0
Supplemental Budgets	8,835,329	24,868,630
Board of Public Works Withdrawn Appropriations	-60,978,555	0
Legislative Reductions/Contingent Legislation	-21,694,288	-295,698,229
Estimated Agency Reversions	-87,041,250	-35,000,000
Subtotal Appropriations	\$17,132,370,251	\$17,876,360,532
Closing General Fund Balance	\$190,168,450	\$201,399,833

BRE: Board of Revenue Estimates

State Expenditures – General Funds (\$ in Millions)

<u>Category</u>	<u>Conference Fiscal 2018 Work. Approp.</u>	<u>Fiscal 2019 Allowance</u>	<u>Conference Fiscal 2019 Reductions</u>	<u>Conference Fiscal 2019 Appropriation</u>	<u>Conference Fiscal 2018 to 2019 \$ Change</u>	<u>Conference Fiscal 2018 to 2019 % Change</u>
Debt Service	\$259.6	\$289.0	\$3.0	\$286.0	\$26.4	10.1%
County/Municipal	\$274.7	\$292.2	\$0.0	\$292.2	\$17.5	6.4%
Community Colleges	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	5,978.4	6,110.5	5.5	6,105.0	126.6	2.1%
Health	51.1	51.4	0.0	51.4	0.3	0.6%
Aid to Local Governments	\$6,621.8	\$6,776.4	\$5.5	\$6,770.9	\$149.1	2.3%
Foster Care Payments	\$184.5	\$185.6	\$0.0	\$185.6	\$1.2	0.6%
Assistance Payments	59.6	45.4	0.0	45.4	-14.2	-23.9%
Medical Assistance	3,198.1	3,397.7	14.9	3,382.9	184.8	5.8%
Property Tax Credits	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$3,531.7	\$3,719.4	\$14.9	\$3,704.5	\$172.8	4.9%
Health	\$1,426.5	\$1,481.9	\$0.0	\$1,481.9	\$55.4	3.9%
Human Services	369.4	374.4	0.0	374.4	5.0	1.3%
Children's Cabinet Interagency Fund	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	265.2	265.7	0.7	265.0	-0.1	-0.1%
Public Safety/Police	1,475.6	1,523.8	0.0	1,523.8	48.2	3.3%
Higher Education	1,432.6	1,495.3	0.0	1,495.3	62.6	4.4%
Other Education	426.3	445.9	4.1	441.8	15.4	3.6%
Agriculture/Natural Res./Environment	119.9	125.6	0.0	125.6	5.8	4.8%
Other Executive Agencies	668.4	750.0	-2.8	752.7	84.3	12.6%
Judiciary	485.8	524.2	13.5	510.7	24.9	5.1%
Legislative	89.3	91.5	-0.3	91.8	2.4	2.7%
Across-the-board Cuts	0.0	0.0	34.9	-34.9	-34.9	n/a
State Agencies	\$6,777.6	\$7,096.8	\$50.2	\$7,046.6	\$269.0	4.0%
Total Operating	\$17,190.9	\$17,881.6	\$73.5	\$17,808.1	\$617.2	3.6%
Capital ⁽¹⁾	\$9.5	\$59.4	\$9.9	\$49.5	\$40.0	420.8%
Subtotal	\$17,200.4	\$17,941.0	\$83.4	\$17,857.5	\$657.2	3.8%
Reserve Funds	\$10.0	\$267.3	\$213.5	\$53.8	\$43.8	438.3%
Appropriations	\$17,210.4	\$18,208.3	\$297.0	\$17,911.4	\$701.0	4.1%
Reversions	-\$78.0	-\$35.0	\$0.0	-\$35.0	\$43.0	-55.1%
Grand Total	\$17,132.4	\$18,173.3	\$297.0	\$17,876.4	\$744.0	4.3%

⁽¹⁾ Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$116.3 million in deficiencies and Conference Committee cuts to the deficiencies including \$5.5 million in reductions contingent on the Budget Reconciliation and Financing Act of 2018 (BRFA) (SB 187). The fiscal 2019 Conference Committee cuts include \$274.6 million in reductions contingent on the BRFA and \$1.2 million contingent on SB 6/HB 187.

State Expenditures – State Funds (\$ in Millions)

Category	Conference Fiscal 2018 Work. Approp.	Fiscal 2019 Allowance	Conference Fiscal 2019 Reductions	Conference Fiscal 2019 Appropriation	Fiscal 2018 to 2019 \$ Change	Fiscal 2018 to 2019 % Change
Debt Service	\$1,564.3	\$1,626.8	\$3.0	\$1,623.8	\$59.5	3.8%
County/Municipal	\$674.2	\$726.3	\$0.0	\$726.3	\$52.2	7.7%
Community Colleges	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	6,454.2	6,613.4	5.5	6,607.9	153.7	2.4%
Health	51.1	51.4	0.0	51.4	0.3	0.6%
Aid to Local Governments	\$7,497.1	\$7,713.5	\$5.5	\$7,708.0	\$210.8	2.8%
Foster Care Payments	\$188.8	\$190.0	\$0.0	\$190.0	\$1.2	0.6%
Assistance Payments	72.1	55.5	0.0	55.5	-16.6	-23.1%
Medical Assistance	4,189.5	4,332.9	0.0	4,332.9	143.4	3.4%
Property Tax Credits	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$4,540.0	\$4,668.9	\$0.0	\$4,668.9	\$129.0	2.8%
Health	\$1,899.1	\$1,937.7	\$26.0	\$1,911.7	\$12.6	0.7%
Human Services	452.8	457.0	0.0	457.0	4.2	0.9%
Children's Cabinet Interagency Fund	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	268.4	269.3	0.7	268.6	0.2	0.1%
Public Safety/Police	1,697.2	1,742.5	0.0	1,742.5	45.3	2.7%
Higher Education	5,945.0	6,103.6	0.0	6,103.6	158.6	2.7%
Other Education	497.0	518.5	5.9	512.6	15.6	3.1%
Transportation	1,905.1	1,955.9	0.1	1,955.8	50.6	2.7%
Agriculture/Natural Res./Environment	413.2	420.3	0.0	420.3	7.1	1.7%
Other Executive Agencies	1,362.3	1,482.6	2.2	1,480.4	118.1	8.7%
Judiciary	551.8	586.4	13.5	572.9	21.1	3.8%
Legislative	89.3	91.5	-0.3	91.8	2.4	2.7%
Across-the-board Cuts	0.0	0.0	42.7	-42.7	-42.7	n/a
State Agencies	\$15,099.9	\$15,583.9	\$90.9	\$15,493.0	\$393.1	2.6%
Total Operating	\$28,701.3	\$29,593.2	\$99.4	\$29,493.8	\$792.5	2.8%
Capital (1)	\$1,826.1	\$1,968.1	\$9.9	\$1,958.1	\$132.0	7.2%
Transportation	1,481.0	1,497.8	0.0	1,497.7	16.7	1.1%
Environment	187.6	220.8	0.0	220.8	33.2	17.7%
Other	157.6	249.6	9.9	239.7	82.1	52.1%
Subtotal	\$30,527.4	\$31,561.2	\$109.3	\$31,451.9	\$924.5	3.0%
Reserve Funds	\$10.0	\$267.3	\$213.5	\$53.8	\$43.8	438.3%
Appropriations	\$30,537.4	\$31,828.6	\$322.9	\$31,505.7	\$968.3	3.2%
Reversions	-\$78.0	-\$35.0	\$0.0	-\$35.0	\$43.0	-55.1%
Grand Total	\$30,459.4	\$31,793.6	\$322.9	\$31,470.7	\$1,011.3	3.3%

(1) Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted revisions, \$9.4 million in additional special fund spending due to funding swaps, \$60.2 million in deficiencies, and Conference Committee cuts to the deficiencies including \$5.6 million in reductions contingent on the Budget Reconciliation and Financing Act of 2018 (BRFA) (SB 187). The fiscal 2019 Conference Committee cuts include \$282.4 million in reductions contingent on the BRFA, \$1.2 million contingent on SB 6/HB 187, and \$16.1 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds (\$ in Millions)

<u>Category</u>	<u>Conference Fiscal 2018 Work. Approp.</u>	<u>Fiscal 2019 Allowance</u>	<u>Conference Fiscal 2019 Reductions</u>	<u>Conference Fiscal 2019 Appropriation</u>	<u>Conference Fiscal 2019 Change</u>	<u>Fiscal 2018 to 2019 % Change</u>
Debt Service	\$1,575.8	\$1,639.6	\$3.0	\$1,636.6	\$60.8	3.9%
County/Municipal	\$746.5	\$792.2	\$0.0	\$792.2	\$45.7	6.1%
Community Colleges	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	7,447.5	7,583.5	5.5	7,578.0	130.5	1.8%
Health	55.6	51.4	0.0	51.4	-4.2	-7.6%
Aid to Local Governments	\$8,567.3	\$8,749.4	\$5.5	\$8,743.9	\$176.7	2.1%
Foster Care Payments	\$262.6	\$258.7	\$0.0	\$258.7	-\$3.9	-1.5%
Assistance Payments	1,268.5	1,158.0	0.0	1,158.0	-110.4	-8.7%
Medical Assistance	11,193.4	11,374.2	0.0	11,374.2	180.8	1.6%
Property Tax Credits	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$12,814.1	\$12,881.7	\$0.0	\$12,881.7	\$67.5	0.5%
Health	\$2,895.3	\$3,014.5	\$26.0	\$2,988.5	\$93.2	3.2%
Human Services	1,005.8	1,011.4	0.0	1,011.4	5.6	0.6%
Children's Cabinet Interagency Fund	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	273.2	274.7	0.7	274.0	0.8	0.3%
Public Safety/Police	1,737.6	1,779.3	0.0	1,779.3	41.7	2.4%
Higher Education	5,945.0	6,103.6	0.0	6,103.6	158.6	2.7%
Other Education	767.9	783.9	5.9	778.0	10.1	1.3%
Transportation	2,002.5	2,054.4	0.1	2,054.3	51.7	2.6%
Agriculture/Natural Res./Environment	480.2	488.7	0.0	488.7	8.5	1.8%
Other Executive Agencies	1,984.8	2,069.7	2.5	2,067.2	82.4	4.1%
Judiciary	552.9	586.6	13.5	573.1	20.2	3.7%
Legislative	89.3	91.5	-0.3	91.8	2.4	2.7%
Across-the-board Cuts	0.0	0.0	47.3	-47.3	-47.3	n/a
State Agencies	\$17,753.0	\$18,276.9	\$95.9	\$18,181.0	\$428.0	2.4%
Total Operating	\$40,710.2	\$41,547.6	\$104.3	\$41,443.2	\$733.0	1.8%
Capital (1)	\$2,941.2	\$3,101.1	\$9.9	\$3,091.2	\$149.9	5.1%
Transportation	2,486.9	2,560.9	0.0	2,560.9	74.0	3.0%
Environment	230.2	264.1	0.0	264.1	33.9	14.7%
Other	224.1	276.1	9.9	266.2	42.0	18.7%
Subtotal	\$43,651.5	\$44,648.7	\$114.3	\$44,534.4	\$882.9	2.0%
Reserve Funds	\$10.0	\$267.3	\$213.5	\$53.8	\$43.8	438.3%
Appropriations	\$43,661.5	\$44,916.0	\$327.8	\$44,588.2	\$926.7	2.1%
Reversions	-\$78.0	-\$35.0	\$0.0	-\$35.0	\$43.0	-55.1%
Grand Total	\$43,583.5	\$44,881.0	\$327.8	\$44,553.2	\$969.7	2.2%

(1) Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$9.4 million in additional special fund spending due to funding swaps, \$145.9 million in deficiencies, and Conference Committee cuts to the deficiencies including \$8.6 million in reductions contingent on the Budget Reconciliation and Financing Act of 2018 (BRFA) (SB 187). The fiscal 2019 Conference Committee cuts include \$287.0 million in reductions contingent on the BRFA, \$1.2 million contingent on SB 6/HB 187, and \$16.1 million in additional special fund spending due to funding swaps.

Fiscal Note Summary of the Budget Bill – Senate Bill 185

	<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 2018 Budget	\$17,145,229,210	\$8,873,999,538	\$13,127,075,610	\$4,440,895,144	\$43,587,199,502 ⁽¹⁾
Fiscal 2019 Budget	18,148,448,738	9,082,682,740	13,084,552,112	4,531,117,954	44,846,801,544 ⁽²⁾
Supplemental Budgets					
Fiscal 2018 Deficiencies	\$8,835,329	\$3,100,000	\$0	\$0	\$11,935,329
Fiscal 2019 Budget	24,868,630	6,470,380	2,875,000	0	34,214,010
Subtotal	\$33,703,959	\$9,570,380	\$2,875,000	\$0	\$46,149,339
Budget Reconciliation and Financing Act of 2018					
Fiscal 2018 Deficiencies	-\$5,471,673	\$0	-\$2,992,320	\$0	-\$8,463,993
Fiscal 2019 Contingent Reductions	-274,648,168	5,271,149	-4,641,981	0	-274,019,000
Subtotal	-\$280,119,841	\$5,271,149	-\$7,634,301	\$0	-\$282,482,993
Conference Committee Reductions					
Fiscal 2018 Deficiencies	-\$16,222,615	\$9,031,117	\$0	\$0	-\$7,191,498
Fiscal 2019 Budget	-22,308,668 ⁽³⁾	-31,170,886	-291,000	0	-53,770,554
Total Reductions	\$38,531,283	-\$22,139,769	-\$291,000	\$0	-\$60,962,052
Appropriations					
Fiscal 2018 Budget	\$17,132,370,251	\$8,886,130,655	\$13,124,083,290	\$4,440,895,144	\$43,583,479,340
Fiscal 2019 Budget	17,876,360,532	9,063,253,383	13,082,494,131	4,531,117,954	44,553,226,000
Change	\$743,990,281	\$177,122,728	-\$41,589,159	\$90,222,810	\$969,746,660

⁽¹⁾ Reflects \$134.0 million in proposed deficiencies, including \$107.4 million in general funds, -\$57.6 million in special funds, -\$85.7 million in federal funds, and -\$1.5 million in current unrestricted funds. Reversion assumptions total \$87.0 million in general funds, including \$35.0 million in unspecified reversions, \$37.0 million in targeted reversions, and \$15.0 million in reversions assumed in Supplemental Budget No. 1. There is also an across-the-board reduction in overbudgeted health insurance reflected in these totals, including \$54.5 million in general funds, \$14.8 million in special funds, and \$9.3 million in federal funds.

⁽²⁾ Assumes \$35.0 million in unspecified reversions.

⁽³⁾ Includes a \$1.3 million general fund reduction contingent upon enactment of SB 6 or HB 187 to create a nondesignatory special fund in the Department of Labor, Licensing, and Regulation.

**General and Special Fund Reductions, Transfers, and Other Budgetary Actions
Contingent on the Budget Reconciliation and Financing Act (SB 187)**
(\$ in Millions)

	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
Fund Balance Transfers – Fiscal 2018			
Transfer from the University System of Maryland State-supported Fund Balance	\$9.0	\$9.0	\$9.0
Contingent General Fund Reductions – Fiscal 2018			
Reduce Unspent Fiscal 2018 Administrative Funds for DDA	\$4.0	\$4.0	\$4.0
Reduce Unspent Fiscal 2018 Funds for TDAP Grant Increase	1.4	1.4	1.4
Contingent Special Fund Reductions – Fiscal 2018			
Reduce Unexpended Appropriation for Aid to Non-Public Schools		\$0.1	\$0.1
Contingent General Fund Reductions – Fiscal 2019			
Reduce Appropriation to Rainy Day Fund	\$150.3	\$150.8	\$148.5
Reduce Supplemental Payment to Pension System to \$75 Million	50.0	50.0	50.0
Medicare-eligible State Retirees to Enroll in Medicare Part D in January 2019	34.9	34.9	34.9
Defer Portion of Transfer Tax Repayment	15.0	15.0	15.0
Slow Phase-down of Medicaid Deficit Assessment on Hospitals	5.0	10.0	5.0
Reduce Funds for Baltimore Regional Neighborhood Initiative	4.0	3.0	4.0
Utilize Trauma Physicians Fund for Medicaid	8.0	10.0	8.0
Reduce Funding for SEED Anchor Institution Program	5.0	4.0	1.0
Reduce Teacher Induction, Retention, and Advancement Pilot Program	2.0	2.0	2.0
Reduce Next Generation Scholars Mandate	0.3	0.3	0.3
Reduce Funding for 529 Match	4.0	4.0	4.0
Repeal Anne Arundel Teacher Pilot Program	1.9	1.9	1.9
Total Reductions and Transfers	\$294.9	\$300.5	\$289.2
Fiscal 2019 Revenue Allocation			
Credit \$200 Million in Income Tax Revenue to a Special Fund to Support the Implementation of the Recommendations of the Kirwan Commission	-\$200.0	-\$200.0	-\$200.0
Total Impact of BRFA on Conference Committee Budget Plan	\$94.9	\$100.5	\$89.2

BRFA: Budget Reconciliation and Financing Act

DDA: Developmental Disabilities Administration

TDAP: Temporary Disability Assistance Program

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

Conference Committee Action on the Budget Reconciliation and Financing Act of 2018 (SB 187)

The Budget Reconciliation and Financing Act (BRFA) of 2018, as amended¹ by the Conference Committee (CC), accomplishes the following:

Fiscal 2018 Fund Transfers	\$9.0 million
Fiscal 2018 Expenditure Reductions	5.6 million
Fiscal 2019 Expenditure Reductions	274.6 million
Total Reductions and Transfers	\$289.2 million
Fiscal 2019 Revenue Allocations	-\$200.0 million
Total Impact of BRFA on CC Budget Plan	\$89.2 million

Technical Amendments: Purpose and function paragraphs and renumbering.

Strikes a provision to repeal the mandated use of lottery funds for a grant to the Maryland Office of Sports Marketing for a youth and amateur sports incentive grant program.

Adds a provision to clarify that the Judiciary may include in its budget request the necessary funds to implement the recommendations of the Judicial Compensation Commission.

Amends a provision creating a new special fund and crediting \$200 million in income tax revenues to that fund to support only the cost of expected recommendations from the Commission on Innovation and Excellence in Education.

Reduces to \$3.0 million, for fiscal 2019 only, the mandated funding for the Teacher Induction, Retention, and Advancement Pilot program.

Strikes a provision to repeal the mandate for stipends for teachers that hold specified teaching certificates and lower the per individual amount for teachers in schools identified as having comprehensive needs.

Repeals the mandate for a stipend for specified teachers in Anne Arundel County.

Strikes a provision to repeal the mandated funding for the Robotics Grant Program.

Strikes a provision to repeal the mandated funding for the Public Schools Opportunities Enhancement Program and lower the funding level in fiscal 2019.

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

Strikes a provision to repeal the mandated funding for the University of Maryland Center for Economic and Entrepreneurship Development funding and lower the fiscal 2019 funding level.

Strikes a provision to reduce the mandated funding level for Baltimore City Community College to fund fiscal 2019 at the fiscal 2018 funding level.

Strikes a provision to reduce the mandated funding level for the Sellinger Program to fund fiscal 2019 at the fiscal 2018 cost containment level.

Reduces to \$4.7 million, for fiscal 2019 only, the mandated funding for the Next Generation Scholars Program.

Reduces the mandated funding level for certain State matching contributions in the 529 College Investment Plan to \$3.0 million for fiscal 2019 and subsequent years.

Strikes a provision reducing the mandated funding level for the Core Public Health Services Program.

Clarifies the formula used to determine the mandated funding level under the Core Public Health Services Program.

Strikes a provision to allow the use of the Advance Directive Program Fund for maternal and child health quality initiatives.

Strikes a provision to reduce the fiscal 2019 provider rate increase under the Developmental Disabilities Administration from 3.5% to 1.0%.

Strikes a provision to allow the use of the Cord Blood Transplant Center Support Fund for maternal and child health quality initiatives.

Strikes a provision to reduce the fiscal 2019 behavioral health provider rate increase from 3.5% to 2.0%.

Strikes a provision to reduce the amount of funding from the Community Health Resources Commission (CHRC) Fund that may only be used to support certain CHRC activities.

Strikes a provision to reduce the mandated fiscal 2019 funding for a capital grant for the University of Maryland Capital Region Medical Center and increase the mandated grant for fiscal 2021.

Clarifies that interior and exterior demolition can be funded under the Strategic Demolition and Smart Growth Impact Fund.

Amends the mandated funding level for the Seed Community Development Anchor Institution Fund to provide \$4.0 million in fiscal 2019.

Strikes a provision to repeal the mandated funding level for the Seed Community Development Anchor Institution Fund for fiscal 2020 through 2022.

Amends the mandated funding level for the Baltimore Regional Neighborhood Initiative to provide \$8.0 million in fiscal 2019.

Strikes a provision to repeal the mandated funding level for the Baltimore Regional Neighborhood Initiative for fiscal 2020 through 2022.

Adds a provision clarifying that the additional funding for the Maryland Heritage Areas Authority authorized by Chapters 660 and 661 of 2017 is to come from the Program Open Space (POS) – State funding for land acquisitions.

Adopts a provision authorizing the use of up to \$300,000 of POS funding provided to the Maryland Heritage Areas Authority Financing Fund to be transferred to the Maryland Historical Trust for noncapital historic preservation grants.

Adds a provision making technical and clarifying changes to existing language regarding the review of interagency agreements.

Requires the submission of certain information concerning premium tax revenues from the Maryland Insurance Administration to the Bureau of Revenue Estimates.

Adds a provision reducing the cap on projected nonwithholding income tax revenues that must, under certain circumstances, be deducted from projected general fund revenue estimates from 2.0% of general fund revenues in fiscal 2020 to 0.5% in fiscal 2020, 1.0% in fiscal 2021, and 2.0% in fiscal 2022 and subsequent years.

Adds a provision to provide the Legislative Policy Committee with a 45-day review and comment period on actions related to the Dedicated Purpose Account.

Repeals the mandate to sweep funds to the State Retirement and Pension System for fiscal 2019 only.

Adds a provision to provide the Legislative Policy Committee with a 15-day review and comment period on transfers from the Catastrophic Event Account.

Amends a provision to accelerate the elimination of State prescription drug coverage for Medicare-eligible retirees to align with the recent federal action to close the Medicare Part D coverage gap (donut hole) by January 1, 2019. The provision clarifies that a spouse, surviving spouse, dependent child, or surviving dependent child if they are not eligible to participate in a Medicare prescription drug plan may remain enrolled in State

prescription drug coverage. Notification of the proposed change must be provided by the Secretary of Budget and Management by July 1, 2018.

Authorizes, for fiscal 2020 and subsequent years, from revenue distributed to the Special Fund for Preservation of Cultural Arts or the Maryland State Arts Council, a grant of \$250,000 for the Maryland Historical Society.

Adds a provision to extend the \$10 million annual repayment to the Local Income Tax Reserve Account beyond fiscal 2025.

Strikes a provision to increase the local share of the costs of certain activities of the State Department of Assessments and Taxation to 90% in fiscal 2019 and thereafter.

Restores a provision reducing a \$15.0 million repayment to POS in fiscal 2020 through 2022 to \$12.5 million and adding a three-year \$2.5 million mandated funding requirement for the same time period for the Maryland Agricultural and Resource-Based Industry Development Corporation for the Next Generation Farmland Acquisition Program.

Repeals for fiscal 2019 a mandated \$15.0 million general fund repayment to POS and adds an additional \$15.0 million repayment in fiscal 2022.

Amends a provision to require Transportation Trust Fund forecasts to increase the operating expenditure forecast, net of availability payments paid to public-private partnership concessionaires, by actual operating budget growth rates. Growth rates may not increase or decrease by more than 0.5 percentage points from the growth rate assumed in the previous forecast.

Adds a provision altering the statutory deadline for the submission of the Maryland Transportation Authority's Financial Forecast from July 1 of each year to September 1 of each year to conform to current practice.

Adds a provision amending existing statute to require speed camera revenues distributed to the Department of State Police to be used only to fund motor vehicle purchases.

Restores the reduction to the Medicaid Deficit Assessment in fiscal 2019 to \$30.0 million.

Strikes a provision to repeal the requirement that at least an additional \$4.0 million be provided in fiscal 2019 through 2021 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.

Strikes a provision that would exclude funding received by the Maryland State Arts Council from the State admissions and amusement tax from inclusion in the calculation

of its mandated grant. This would have reduced the fiscal 2019 grant by \$1.0 million and also impacted out-year grant funding.

Amends the reduction in the fiscal 2019 funding to the Revenue Stabilization Account to \$148.5 million.

Authorizes the fiscal 2018 transfer of \$9.0 million from the University System of Maryland State-supported Fund Balance to the General Fund.

Adds a provision authorizing the transfer of \$1.8 million in funding from the Tuition Stabilization Trust to the Need-based Student Financial Assistance Fund.

Amends a provision increasing the cap on fiscal 2019 rate increases for payments to providers with rates set by the Interagency Rates Committee from 1% to 3% over fiscal 2018.

Amends a provision repealing the fiscal 2018 cap on Temporary Assistance for Needy Families spending of \$249.9 million by increasing the cap to \$256.3 million.

Adds a provision to reduce the fiscal 2018 appropriation for the Temporary Disability Assistance Program by \$1.4 million in general funds based on enrollment trends and because the Department of Human Services has not yet provided an increase in the monthly benefit amount as requested in a fiscal 2018 funding restriction.

Adds a provision to reduce the fiscal 2018 appropriation for the Developmental Disabilities Administration (DDA) by \$5.6 million (\$3.2 million general funds and \$2.4 million federal funds) for nonawarded utilization review contracts.

Adds a provision to reduce the fiscal 2018 appropriation for DDA by \$1.4 million (\$0.8 million general funds, \$0.6 million federal funds) for a nonawarded financial management services contract for self-directed services.

Adds a provision to allow any unexpended fiscal 2018 funds provided to local area agencies on aging to be encumbered by those agencies and spent in fiscal 2019.

Adds a provision to reduce the fiscal 2018 appropriation for the Aid to Non-Public School Program based on funds available as a result of schools made ineligible for Broadening Options and Opportunities for Students Today.

Authorizes, for fiscal 2018 and 2019 only, the Maryland Clean Air Fund to retain a balance of \$6.0 million. Currently, balances over \$2.0 million revert to the General Fund.

Reduces the funding that may be transferred from the Maryland Trauma Physicians Services Fund to Medicaid in fiscal 2019 only to \$8.0 million.

Authorizes \$650,000 in fiscal 2018 funding transferred for the Agency Election Management System Information Technology project from the Department of Information Technology to the State Board of Elections to be used for election support activities in fiscal 2019.

Authorizes the use of unappropriated revenue deposited in the Special Fund for Preservation of Cultural Arts in fiscal 2018 to be transferred by budget amendment to the Maryland Academy of Sciences.

Authorizes the use of revenue distributed to the Special Fund for Preservation of Cultural Arts or the Maryland State Arts Council to be transferred by budget amendment for a supplemental grant to the Baltimore Symphony Orchestra.

Authorizes the transfer of revenue distributed to the Special Fund for Preservation of Cultural Arts or the Maryland State Arts Council for grants to a variety of organizations.

Strikes a provision capping the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%, exempting specified mandates related to K-12 education funding, Reserve Fund requirements, debt service requirements, and the State employer contribution to the State Pension System.

Adds a provision to allow unexpended fiscal 2019 funding for school safety to be encumbered and spent in fiscal 2020..

Strikes a provision prohibiting the General Assembly from creating or increasing required funding levels in any future fiscal year unless it enacts legislation in the same session to reduce or repeal an equivalent amount of required funding for that same future fiscal year.

Adds a provision requiring any funds provided to State agencies as a result of conditions of an approved merger between AltaGas Ltd. and WGL Holdings, Inc. to be appropriated through the State budget or other legislation.

Adds a provision requiring the Maryland Department of Health and the Health Services Cost Review Commission to develop Medicaid-specific savings targets and performance beyond those included in the successor all-payer model contract.

Adds a provision requiring, for fiscal 2020 only, the Department of Legislative Services (DLS), the Department of Budget and Management, and the Maryland State Department of Education to determine the appropriate Consumer Price Index (CPI) to be used in the State Foundation Formula and student transportation formula, and requiring the Commission on Innovation and Excellence in Education to make recommendations on the appropriate CPI to be used in all state education aid formulas.

Adds a provision requiring DLS to review the Annotated Code of Maryland for references to a discontinued CPI and, except for state education aid formulas, make recommendations on the appropriate CPI to be used.

Adds a provision expressing intent that certain entities licensed to operate instant bingo games using electronic machines be authorized to operate any other electronic machine approved by the State Lottery and Gaming Control Commission.

Maryland Structural Budget Status
Fiscal 2019-2023
 (\$ in Millions)

