

House Appropriations Committee

Report on

Senate Bill 185 – the Budget Bill

**Senate Bill 187 – the Budget Reconciliation and
Financing Act**

**Maryland General Assembly
Annapolis, Maryland**

March 19, 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 House Appropriations 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 \$237.4 million and produce a structural surplus of \$161 million.

Preserves Reserves: More than \$1.1 billion in cash resources are preserved including \$879 million in the Rainy Day Fund and \$237.4 million in the General Fund.

Constrains Growth in Spending: Spending grows \$938.1 million, or 2.2%, to \$44.5 billion for fiscal 2019.

Tax Relief for Marylanders: The committee's budget plan accounts for almost \$17 million of fiscal 2019 tax reductions approved by the House Ways and Means Committee including an expansion of eligibility for the Earned Income Tax Credit, indexing of the standard deduction, and tax relief for hometown heroes and retirees with Individual Retirement Accounts.

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 \$159.9 million, or 2.8%. The budget plan dedicates \$200 million to future K-12 education costs and provides \$11.4 million in fiscal 2019 to implement the initial recommendations of the Commission on Innovation and Excellence in Education (Kirwan Commission).

Restores Funds for Legislative Priorities: More than \$107 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 \$51.5 million for providers of health care services to vulnerable populations. Another \$42.2 million is re-purposed in the budget to support legislative priorities including \$10 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 \$180 million to fund enrollment and provider rate increases.

Supports Student Safety: The budget includes \$15 million in new State funding to promote safety at our schools.

Promotes Affordability of Higher Education: State support for Maryland's public four-year colleges and universities grows by \$60.2 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>APP</u>
Fiscal 2019 Balance Before Budget Balancing Legislation	-\$295.2	-\$295.2	-\$295.2
Legislation			
Budget Reconciliation and Financing Act (BRFA)	414.1	294.9	300.4
Dedicate Funds for Future Education Costs (BRFA)		-200.0	-200.0
Expand Earned Income Credit and Increase Standard Deduction		-100.0	-5.3
Tax Relief for Veterans and Hometown Heroes	-14.5	-6.0	-1.2
Tax Relief Retirement Income – IRA Rollover			-10.0
Small Business Tax Relief Credit	-5.0	-5.0	0.0
Financial Institutions Nondepository Special Fund (SB 6/HB 187)	1.3	0.2	0.2
Revenue Adjustments			
BRE March 2018 – Adjust for Federal Tax Changes	547.1	547.1	547.1
BRE March 2018 – Other Adjustments	-152.9	-152.9	-152.9
Spending			
Supplemental Budget No. 1	10.0	10.0	10.0
Net Legislative Budget Cuts		25.3	44.3
Additional Savings Reserved for Legislative Priorities		42.7	42.2
Legislative Priorities		-42.7	-42.2
Fiscal 2019 Estimated Closing Balance	\$504.8	\$118.5	\$237.4
Protecting Maryland Taxpayers Act (SB 733/HB 875)	-\$614.8	\$0.0	\$0.0
Revised Fiscal 2019 Estimated Closing Balance	-\$110.0	\$118.5	\$237.4

APP: House Appropriations Committee

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>APP</u>
<u>Local Aid</u>		
C Reduce Funds for Teacher Induction and Retention Program to Fiscal 2018 Level	\$2.0	\$2.0
C Repeal Anne Arundel Teacher Pilot Program	1.9	1.9
Reduce Overbudgeted Funds for Teacher Quality Incentives	1.3	1.3
C Fund Next Generation Scholars at Fiscal 2018 Level	0.3	0.3
Total	\$5.5	\$5.5
<u>Medicaid</u>		
<i>Special Funds from a Legal Settlement Replace General Funds</i>	\$8.1	\$8.1
C Support Medicaid with Special Funds from Trauma Physician Fund	8.0	10.0
C Slow Phase-down of Medicaid Hospital Assessment	5.0	10.0
Substitute Available Special Funds for General Funds	0.0	3.9
Total	\$21.1	\$32.0
<u>Higher Education</u>		
C Reduce Funding for Maryland 529 Match to \$3 Million to Better Align with Actual Experience	\$4.0	4.0
Total	\$4.0	\$4.0
<u>Reserves/Pensions/Debt</u>		
Reduce Appropriation to Rainy Day Fund	\$150.3	\$150.8
C Reduce Supplemental Payment to Pension System	50.0	50.0
Reduce Overbudgeted Debt Service Funds		3.0
	\$200.3	\$203.8
<u>State Agencies</u>		
C Accelerate Shift of State Retirees to Medicare Part D from July 2019 to January 2019	\$34.9	\$34.9
Reduce Salary Increases for Judges and Judicial Employees	6.7	14.0
C <i>Return Unspent Fiscal 2018 Funds for DDA to General Fund</i>	4.0	4.0
<i>Reduce Surplus Fiscal 2018 Health Insurance Funding in Judiciary and General Assembly</i>	5.5	5.5
Delete 60.5 New Pins for Judiciary and Associated Funding	1.4	4.1
Reduce Operating Funding for Judiciary	4.3	3.2
<i>Reduce Fiscal 2018 Funds for Residential Per Diems at Juvenile Services</i>	1.3	2.5
Reduce Funds for Residential Per Diems and Overtime at Juvenile Services	0.7	1.4
C <i>Capture Unspent Fiscal 2018 Funds for a \$10 Monthly Grant Increase for TDAP Enrollees</i>	1.4	1.4
<i>Require DGS Return Funds Retained Improperly in Fiscal 2017</i>	1.3	1.3
Savings from Fund Swap for Office of Financial Regulation (contingent on SB 6/HB 187)	1.3	1.3
Reduce Funding for Recalled Judges in Jurisdictions with Adequate Staff to Meet Workload	0.0	1.1
Operating Savings in Military Department	0.0	0.3
State Retirement Agency Custodial Banking Contract Savings	0.2	0.2
Administrative Savings in Office of Comptroller	0.0	0.1
Operating Savings in GOCCP and DBM	0.2	0.1
<i>No Deficiency for Criminal Intelligence Network Positions</i>	0.1	0.1
Total	\$63.3	\$75.4

<u>PAYGO</u>	<u>Senate</u>	<u>APP</u>
C Defer Portion of Transfer Tax Repayment	\$15.0	\$15.0
C Reduce Funds for SEED Community Development Anchor Institution Fund	5.0	4.0
C Reduce Fund for Baltimore Regional Neighborhood Initiative	4.0	3.0
Total	\$24.0	\$22.0
Total General Funds	\$318.2	\$342.7
Special Funds		
<u>Operating Costs</u>		
Reduce Overbudgeted Funds for HSCRC and MHCC	\$26.0	\$26.0
C Accelerate Shift of State Retirees to Medicare Part D from July 2019 to January 2019	7.7	7.7
Finance Acquisition of Equipment for State Board of Elections over Three Years	5.4	5.4
Reduce Funding for BOOST (\$0.1 million in fiscal 2018 and \$3.85 million in fiscal 2019)	0.0	4.0
Recognize State Retirement Agency Savings from New Custodial Banking Contract	0.9	0.9
<i>Reduce Surplus Fiscal 2018 Health Insurance Funding in Judiciary</i>	0.3	0.3
Align Budgeted Vacancy Rate with Actual Experience for Maryland Port Administration	0.1	0.1
Reduce Judiciary Operating Costs	0.0	0.03
Total	\$40.4	\$44.4
<u>PAYGO Capital</u>		
Reduce Funding for Program Open Space State Land Acquisitions	\$1.9	\$1.9
Additional Vacancy Savings for Maryland Port Administration	0.04	0.04
Total	\$1.9	\$1.94
Total Special Fund Reductions to Governor's Proposed Budget	\$42.3	\$46.2

APP: House Appropriations Committee

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

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

Note: Fiscal 2018 deficiency reductions in *italics*.

Budget Restorations and Priorities (\$ in Millions)

Administration General Fund Reductions Rejected or Modified by Appropriations

<u>Administration Proposal</u>	<u>Admin</u>	<u>Senate</u>	<u>APP</u>
Restructure Payments to Prince George's Regional Medical Center	\$29.0	\$0.0	\$0.0
Shift Property Assessment Costs to Locals	19.7	0.0	0.0
Reduce DDA Provider Rate Increase from 3.5% to 1%	14.6	0.0	0.0
Reduce Funds for Baltimore Regional Neighborhood Initiative	9.0	4.0	3.0
Reduce Behavioral Health Provider Rate Increase from 3.5% to 2%	7.9	0.0	0.0
Level Fund Grant to Private Colleges and Universities	7.4	0.0	0.0
Repeal Funding for SEED Anchor Institution Program	5.0	5.0	4.0
Repeal Teacher Induction and Retention Program	5.0	2.0	2.0
Reduce Public School Opportunities Program (re-purposed by committee)	5.0	0.0	0.0
No Funds for Next Generation Scholars	5.0	0.3	0.3
No New Funding for UMBC to Improve Funding Guideline Attainment	4.0	0.0	0.0
Level Fund USM Center for Economic and Entrepreneurship Development	2.0	0.0	0.0
Reduce Funding for Arts Council	1.0	0.0	0.0
Level Fund BCCC	0.9	0.0	0.0
Level Fund Local Health Department Formula Grant	0.9	0.0	0.0
No Robotics Grants	0.3	0.0	0.0
Total Reductions	\$116.7	\$11.3	\$9.3

Funds Restricted for Priorities Not Funded by Governor

Nursing Homes – Raise Rate Increase from 1% to 3%	\$12.1	\$12.1
Medicaid Community Providers – Raise Rate Increase from 1% to 3%	5.1	5.1
Residential Services for Children – Raise Rate Increase from 1% to 3%	3.0	3.0
School Safety Grants	10.0	10.0
Recommendations of Innovation and Excellence in Education Commission	6.9	6.9
Violence Intervention and Prevention Program	5.0	5.0
Maryland Humanities Council	0.1	0.1
Pride of Baltimore	0.5	0.0
Total Funding for Priorities Not Funded by Governor	\$42.7	\$42.2

APP: House Appropriations Committee
 BCCC: Baltimore City Community College
 DDA: Developmental Disabilities Administration
 UMBC: University of Maryland Baltimore County
 USM: University System of Maryland

House Appropriations Committee
Status as of March 19, 2018

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>
Starting General Fund Balance	\$258,549,955	\$200,252,805
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	-17,544,254
Additional Revenues	35,849,928	30,083,180
Subtotal Revenues	\$17,063,988,746	\$17,871,091,915
Subtotal Available Revenues	\$17,322,538,701	\$18,071,344,720
Appropriations		
General Fund Appropriations	\$17,185,818,301	\$18,183,448,738
Deficiencies	107,430,714	0
Other Legislation	0	-1,258,607
Supplemental Budgets	0	5,000,000
Board of Public Works Withdrawn Appropriations	-60,978,555	0
Legislative Reductions/Contingent Legislation	-22,943,314	-318,255,116
Estimated Agency Reversions	-87,041,250	-35,000,000
Subtotal Appropriations	\$17,122,285,896	\$17,833,935,015
Closing General Fund Balance	\$200,252,805	\$237,409,705

BRE: Board of Revenue Estimates

State Expenditures – General Funds

(\$ in Millions)

<u>Category</u>	APP		APP		APP	
	<u>Work. Approp.</u>	<u>Allowance</u>	<u>Reductions</u>	<u>Appropriation</u>	<u>\$ Change</u>	<u>% Change</u>
	FY 2018	FY 2019	FY 2019	FY 2019	FY 2018 to FY 2019	
Debt Service	\$259.6	\$289.0	\$3.0	\$286.0	\$26.4	10.1%
County/Municipal	\$274.7	\$280.3	\$0.0	\$280.3	\$5.7	2.1%
Community Colleges	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	5,978.4	6,109.0	5.5	6,103.6	125.2	2.1%
Health	51.1	51.4	0.0	51.4	0.3	0.6%
Aid to Local Governments	\$6,621.8	\$6,763.1	\$5.5	\$6,757.6	\$135.8	2.1%
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	3,397.9	23.9	3,374.0	176.0	5.5%
Property Tax Credits	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$3,531.7	\$3,719.5	\$23.9	\$3,695.7	\$163.9	4.6%
Health	\$1,424.5	\$1,481.2	\$0.0	\$1,481.2	\$56.7	4.0%
Human Services	369.4	373.9	0.0	373.9	4.5	1.2%
Children's Cabinet Interagency Fund	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	263.9	265.7	1.4	264.3	0.4	0.2%
Public Safety/Police	1,475.6	1,523.8	0.0	1,523.8	48.2	3.3%
Higher Education	1,432.6	1,494.7	0.0	1,494.7	62.1	4.3%
Other Education	424.8	444.0	4.0	440.0	15.2	3.6%
Agriculture/Natural Res./Environment	119.1	125.1	0.0	125.1	6.0	5.0%
Other Executive Agencies	663.9	749.4	-3.0	752.4	88.6	13.3%
Judiciary	485.8	524.2	22.4	501.9	16.0	3.3%
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	\$6,767.6	\$7,092.2	\$59.5	\$7,032.7	\$265.2	3.9%
Total Operating	\$17,180.8	\$17,863.8	\$91.8	\$17,772.0	\$591.2	3.4%
Capital ⁽¹⁾	\$9.5	\$57.3	\$11.9	\$45.4	\$35.9	378.0%
Subtotal	\$17,190.3	\$17,921.1	\$103.7	\$17,817.4	\$627.1	3.6%
Reserve Funds	\$10.0	\$267.3	\$215.8	\$51.5	\$41.5	415.2%
Appropriations	\$17,200.3	\$18,188.4	\$319.5	\$17,868.9	\$668.6	3.9%
Reversions	-\$78.0	-\$35.0	\$0.0	-\$35.0	\$43.0	-55.1%
Grand Total	\$17,122.3	\$18,153.4	\$319.5	\$17,833.9	\$711.6	4.2%

APP: House Appropriations Committee

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

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$107.4 million in targeted reversions, and APP 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 APP cuts include \$286.0 million in reductions contingent on the BRFA and \$1.2 million contingent on SB 6/HB 187.

State Expenditures – State Funds

(\$ in Millions)

Category	APP		APP		APP		APP	
	FY 2018 Work. Appro.	FY 2019 Allowance	FY 2019 Reductions	FY 2019 Appropriation	FY 2018 to FY 2019 \$ Change	FY 2018 to FY 2019 % Change		
Debt Service	\$1,564.3	\$1,626.8	\$3.0	\$1,623.8	\$59.5	3.8%		
County/Municipal	\$674.2	\$709.4	\$0.0	\$709.4	\$35.3	5.2%		
Community Colleges	317.7	322.4	0.0	322.4	4.7	1.5%		
Education/Libraries	6,454.2	6,612.0	5.5	6,606.5	152.3	2.4%		
Health	51.1	51.4	0.0	51.4	0.3	0.6%		
Aid to Local Governments	\$7,497.1	\$7,695.1	\$5.5	\$7,689.6	\$192.5	2.6%		
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	4,333.0	0.0	4,333.0	143.5	3.4%		
Property Tax Credits	89.6	90.6	0.0	90.6	1.0	1.1%		
Entitlements	\$4,540.0	\$4,669.1	\$0.0	\$4,669.1	\$129.1	2.8%		
Health	\$1,897.0	\$1,935.1	\$26.0	\$1,909.1	\$12.1	0.6%		
Human Services	452.8	456.5	0.0	456.5	3.7	0.8%		
Children's Cabinet Interagency Fund	18.5	18.5	0.0	18.5	0.0	-0.1%		
Juvenile Services	267.2	269.3	1.4	267.9	0.8	0.3%		
Public Safety/Police	1,697.2	1,742.5	0.0	1,742.5	45.3	2.7%		
Higher Education	5,945.0	6,103.0	0.0	6,103.0	158.0	2.7%		
Other Education	495.5	516.7	7.9	508.8	13.3	2.7%		
Transportation	1,905.1	1,955.9	0.1	1,955.8	50.6	2.7%		
Agriculture/Natural Res./Environment	412.5	419.2	-1.9	421.1	8.6	2.1%		
Other Executive Agencies	1,354.7	1,481.7	2.0	1,479.7	125.0	9.2%		
Judiciary	551.8	586.4	22.4	564.0	12.2	2.2%		
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	\$15,086.7	\$15,576.4	\$100.3	\$15,476.1	\$389.4	2.6%		
Total Operating	\$28,688.1	\$29,567.4	\$108.8	\$29,458.6	\$770.5	2.7%		
Capital ⁽¹⁾	\$1,826.1	\$1,967.5	\$13.8	\$1,953.7	\$127.6	7.0%		
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	249.0	13.8	235.2	77.6	49.3%		
Subtotal	\$30,514.2	\$31,534.9	\$122.6	\$31,412.3	\$898.1	2.9%		
Reserve Funds	\$10.0	\$267.3	\$215.8	\$51.5	\$41.5	415.2%		
Appropriations	\$30,524.2	\$31,802.2	\$338.4	\$31,463.8	\$939.6	3.1%		
Reversions	-\$78.0	-\$35.0	\$0.0	-\$35.0	\$43.0	-55.1%		
Grand Total	\$30,446.2	\$31,767.2	\$338.4	\$31,428.8	\$982.6	3.2%		

APP: House Appropriations Committee

⁽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, \$48.3 million in deficiencies, and APP 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 APP cuts include \$293.7 million in reductions contingent on the BRFA, \$1.2 million contingent on SB 6/187, and \$27.0 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds

(\$ in Millions)

Category	APP		APP FY 2019 Reductions	FY 2019 Adjusted Allowance	APP to FY 2019	
	FY 2018 Work. Appro.	FY 2019 Allowance			\$ Change	% Change
Debt Service	\$1,575.8	\$1,639.6	\$3.0	\$1,636.6	\$60.8	3.9%
County/Municipal	\$746.5	\$775.3	\$0.0	\$775.3	\$28.8	3.9%
Community Colleges	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	7,447.5	7,582.1	5.5	7,576.6	129.1	1.7%
Health	55.6	51.4	0.0	51.4	-4.2	-7.6%
Aid to Local Governments	\$8,567.3	\$8,731.1	\$5.5	\$8,725.6	\$158.3	1.8%
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	11,373.5	0.0	11,373.5	180.1	1.6%
Property Tax Credits	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$12,814.1	\$12,880.9	\$0.0	\$12,880.9	\$66.8	0.5%
Health	\$2,893.2	\$3,011.9	\$26.0	\$2,985.9	\$92.7	3.2%
Human Services	1,005.8	1,010.9	0.0	1,010.9	5.1	0.5%
Children's Cabinet Interagency Fund	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	271.9	274.7	1.4	273.3	1.3	0.5%
Public Safety/Police	1,737.6	1,779.3	0.0	1,779.3	41.7	2.4%
Higher Education	5,945.0	6,103.0	0.0	6,103.0	158.0	2.7%
Other Education	766.4	782.1	7.9	774.2	7.9	1.0%
Transportation	2,002.5	2,054.4	0.1	2,054.3	51.7	2.6%
Agriculture/Natural Res./Environment	479.5	487.6	-1.9	489.5	10.0	2.1%
Other Executive Agencies	1,977.2	2,068.8	2.3	2,066.5	89.3	4.5%
Judiciary	552.9	586.6	22.4	564.2	11.3	2.0%
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	\$17,739.9	\$18,269.3	\$105.2	\$18,164.1	\$424.2	2.4%
Total Operating	\$40,697.1	\$41,520.9	\$113.7	\$41,407.2	\$710.2	1.7%
Capital ⁽¹⁾	\$2,941.2	\$3,098.5	\$13.8	\$3,084.7	\$143.4	4.9%
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	273.5	13.8	259.7	35.5	15.9%
Subtotal	\$43,638.3	\$44,619.5	\$127.5	\$44,491.9	\$853.6	2.0%
Reserve Funds	\$10.0	\$267.3	\$215.8	\$51.5	\$41.5	415.2%
Appropriations	\$43,648.3	\$44,886.8	\$343.4	\$44,543.4	\$895.1	2.1%
Reversions	-\$78.0	-\$35.0	\$0.0	-\$35.0	\$43.0	-55.1%
Grand Total	\$43,570.3	\$44,851.8	\$343.4	\$44,508.4	\$938.1	2.2%

APP: House Appropriations Committee

⁽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, \$134.0 million in deficiencies, and APP 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 APP cuts include \$298.3 million in reductions contingent on the BRFA, \$1.2 million contingent on SB 6/187, and \$27.0 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 Budget No. 1					
Fiscal 2018 Deficiencies	\$0	\$0	\$0	\$0	\$0
Fiscal 2019 Budget	5,000,000	0	0	0	5,000,000
Subtotal	\$5,000,000	\$0	\$0	\$0	\$5,000,000
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	-285,958,168	12,271,149	-4,641,981	0	-278,329,000
Subtotal	-\$291,429,841	\$12,271,149	-\$7,634,301	\$0	-\$286,792,993
House Appropriations Committee Reductions					
Fiscal 2018 Deficiencies	-\$17,471,641	\$9,031,117	\$0	\$0	-\$8,440,524
Fiscal 2019 Budget	-33,555,555 ⁽³⁾	-31,203,181	-291,000	0	-65,049,736
Total Reductions	-\$51,027,196	-\$22,172,064	-\$291,000	\$0	-\$73,490,260
Appropriations					
Fiscal 2018 Budget	\$17,122,285,896	\$8,883,030,655	\$13,124,083,290	\$4,440,895,144	\$43,570,294,985
Fiscal 2019 Budget	17,833,935,015	9,063,750,708	13,079,619,131	4,531,117,954	44,508,422,808
Change	\$711,649,119	\$180,720,053	-\$44,464,159	\$90,222,810	\$938,127,823

⁽¹⁾ Reflects \$134.0 billion 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, and \$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 nondepository 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>APP</u>
Fund Balance Transfers – Fiscal 2018		
Transfer from the University System of Maryland State-supported Fund Balance	\$9.0	\$9.0
Contingent General Fund Reductions – Fiscal 2018		
Reduce Unspent Fiscal 2018 Administrative Funds for DDA	\$4.0	\$4.0
Reduce Unspent Fiscal 2018 Funds for TDAP Grant Increase	1.4	1.4
Contingent Special Fund Reductions – Fiscal 2018		
Reduce unexpended appropriation for Aid to Non-Public Schools		0.1
Contingent General Fund Reductions – Fiscal 2019		
Reduce Appropriation to Rainy Day Fund	\$150.3	\$150.8
Reduce Supplemental Payment to Pension System to \$75 Million	50.0	50.0
Medicare Eligible State Retirees to Enroll in Medicare Part D in January 2019	34.9	34.9
Defer Portion of Transfer Tax Repayment	15.0	15.0
Slow Phase-down of Medicaid Deficit Assessment on Hospitals	5.0	10.0
Reduce Funds for Baltimore Regional Neighborhood Initiative	4.0	3.0
Utilize Trauma Physicians Fund for Medicaid	8.0	10.0
Reduce funding for SEED Anchor Institution Program	5.0	4.0
Reduce Teacher Induction, Retention, and Advancement Pilot Program	2.0	2.0
Reduce Next Generation Scholars Mandate	0.3	0.3
Reduce Funding for 529 Match	4.0	4.0
Repeal Anne Arundel Teacher Pilot Program	1.9	1.9
Total Reductions and Transfers	\$294.9	\$300.5
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 and to Implement SB 1122/HB 1697 to Supplement Education Funding	-\$200.0	-\$200.0
Total Impact of BRFA on House Appropriations Committee Budget Plan	\$94.9	\$100.5

APP: House Appropriations Committee

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.

House Appropriations 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 House Appropriations Committee (APP), accomplishes the following:

Fiscal 2018 Fund Transfers	\$9.0 million
Fiscal 2018 Expenditure Reductions	5.6 million
Fiscal 2019 Expenditure Reductions	286.0 million
Total Reductions and Transfers	\$300.5 million
Fiscal 2019 Revenue Allocations	-\$200.0 million
Total Impact of BRFA on APP Budget Plan	\$100.5 million

Note: Numbers in chart do not sum to total due to rounding.

Technical Amendments: Purpose and function paragraphs and renumbering.

1

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 (pages 6-7).

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 (page 7).

Amends a provision creating a new special fund to support the cost of expected recommendations from the Commission on Innovation and Excellence in Education and crediting \$200 million in income tax revenues to that fund by expanding the purpose for the fund to include implementation of SB 1122/HB 1697 and renaming the fund (pages 7-8, 24-25, and 28).

2

Reduces to \$3.0 million, for fiscal 2019 only, the mandated funding for the Teacher Induction, Retention, and Advancement Pilot program (pages 8-9).

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 (pages 9-10).

Repeals the mandate for a stipend for specified teachers in Anne Arundel County (page 10).

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 Robotics Grant Program (pages 10-11).

Strikes a provision to repeal the mandated funding for the Public Schools Opportunities Enhancement Program and lower the funding level in fiscal 2019 (page 11).

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 (page 11).

Strikes a provision to reduce the mandated funding level for Baltimore City Community College to fund fiscal 2019 at the fiscal 2018 funding level (pages 11-14).

Strikes a provision to reduce the mandated funding level for the Sellinger Program to fund fiscal 2019 at the fiscal 2018 cost containment level (pages 14-15).

Reduces to \$4.7 million, for fiscal 2019 only, the mandated funding for the Next Generation Scholars Program (pages 15-16).

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 (page 16).

Strikes a provision reducing the mandated funding level for the Core Public Health Services Program (page 16).

Amends a provision clarifying the formula used to determine the mandated funding level under the Core Public Health Services Program (pages 16-17).

3

Strikes a provision to allow the use of the Advance Directive Program Fund for maternal and child health quality initiatives (page 17).

Strikes a provision to reduce the fiscal 2019 provider rate increase under the Developmental Disabilities Administration from 3.5% to 1.0% (page 17).

Strikes a provision to allow the use of the Cord Blood Transplant Center Support Fund for maternal and child health quality initiatives (page 17).

Strikes a provision to reduce the fiscal 2019 behavioral health provider rate increase from 3.5% to 2.0% (pages 17-18).

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 (pages 18-19).

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 (page 19).

Amends the mandated funding level for the Seed Community Development Anchor Institution Fund to provide \$1.0 million in fiscal 2019, \$1.0 million above the level provided by the Governor and Senate (page 19).

4

Strikes a provision to repeal the mandated funding level for the Seed Community Development Anchor Institution Fund for fiscal 2020 through 2022 (page 19).

Amends the mandated funding level for the Baltimore Regional Neighborhood Initiative to provide \$9.0 million in fiscal 2019, \$1.0 million above the level provided by the Senate and \$9.0 million above that provided by the Governor (page 19).

5

Strikes a provision to repeal the mandated funding level for the Baltimore Regional Neighborhood Initiative for fiscal 2020 through 2022 (page 19-20).

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 (pages 20-22).

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 (page 20).

Adds a provision making technical and clarifying changes to existing language regarding the review of interagency agreements (pages 22-23).

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 (page 24).

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 (page 25).

Repeals the mandate to sweep funds to the State Retirement and Pension System for fiscal 2019 only (pages 25-27).

Adds a provision to provide the Legislative Policy Committee with a 15-day review and comment period on transfers from the Catastrophic Event Account (page 27).

Adds a provision to accelerate 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 (pages 27-28).

Adds a provision to extend the \$10 million annual repayment to the Local Income Tax Reserve Account beyond fiscal 2025 (page 28-29).

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 (pages 29-30).

Strikes 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 (pages 30-31).

6

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 (page 30).

Adds a provision to require Transportation Trust Fund forecasts to increase the operating expenditure forecast by actual operating budget growth rates (pages 31-32).

7

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 (page 32).

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 (pages 32-33).

Restores the reduction to the Medicaid Deficit Assessment in fiscal 2019 to \$25.0 million as originally proposed rather than the \$30.0 million proposed by the Senate (pages 33-34).

8

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 (page 34).

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 (page 34).

Amends the reduction in the fiscal 2019 funding to the Revenue Stabilization Account to \$150.8 million, \$500,000 more than the Senate (page 34).

9

Authorizes the fiscal 2018 transfer of \$9.0 million from the University System of Maryland State-supported Fund Balance to the General Fund (page 35).

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 (page 35).

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 (page 35).

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 (page 35).

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 (page 35).

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 (page 35).

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 (page 35).

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 (pages 35-36).

10

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 (page 36).

11

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 (page 36).

Increases the funding that may be transferred from the Maryland Trauma Physicians Services Fund to Medicaid in fiscal 2019 only from \$8.0 million as originally proposed to \$10.0 million (page 36).

12

Authorizes the transfer of funding allocated for the Agency Election Management System Information Technology project in the Department of Information Technology to the State Board of Elections for election support activities (page 36).

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 (page 36).

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 (page 36).

13

Authorizes the transfer of revenue distributed to the Special Fund for Preservation of Cultural Arts or the Maryland State Arts Council to two grants to the Board of Directors of the Baltimore Arts Realty Corporation (pages 36-37).

14

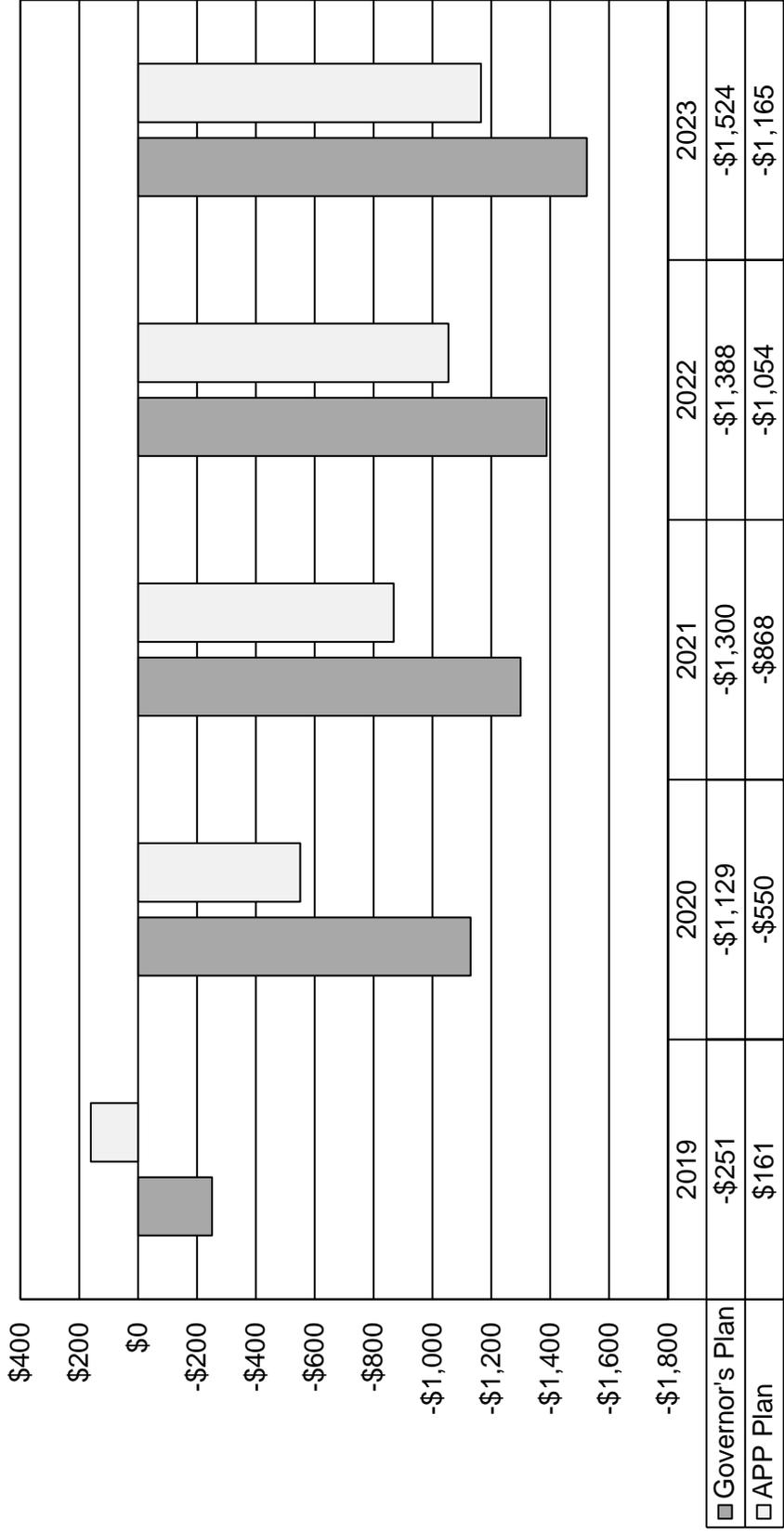
Strikes a provision capping the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%, exempting specified mandates related to K-12 education funding, Reserve Fund requirements, debt service requirements, and the State employer contribution to the State Pension System (page 37).

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 (page 37).

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 (page 38).

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 (page 38).

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



■ Governor's Plan □ APP Plan