

Senate Budget and Taxation Committee

Report on

Senate Bill 185 – the Budget Bill

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

**Maryland General Assembly
Annapolis, Maryland**

March 12, 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 Senate Budget and Taxation 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 \$129.5 million and produce a structural surplus of \$68 million.

Preserves Reserves: More than \$1.0 billion in cash resources are preserved including \$879 million in the Rainy Day Fund and \$129.5 million in the General Fund.

Constrains Growth in Spending: Spending grows \$951 million, or 2.2%, to \$44.5 billion for fiscal 2019.

Tax Relief for Marylanders: The committee's budget plan provides for \$100 million of tax reductions in fiscal 2019 through an increase in the standard deduction and an expansion of eligibility for the Earned Income Tax Credit.

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 support the future cost of implementing the recommendations of the Commission on Innovation and Excellence in Education (Kirwan Commission) and provides \$6.9 million in fiscal 2019 to implement the initial recommendations of the commission.

Restores Funds for Legislative Priorities: More than \$110 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 \$56.5 million for providers of health care services to vulnerable populations. Another \$42.7 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>SB&T</u> |
|---|-----------------|-----------------|
| Fiscal 2019 Balance Before Budget Balancing Legislation | -\$295.2 | -\$295.2 |
| Legislation | | |
| Budget Reconciliation and Financing Act (BRFA) | 414.1 | 294.9 |
| Dedicate Funds for Future Education Costs (BRFA) | | -200.0 |
| Expand Earned Income Tax Credit and Increase Standard Deduction | | -100.0 |
| Military Retirement Income | -12.5 | TBD |
| Hometown Heroes | -2.0 | TBD |
| Small Business Tax Relief Credit | -5.0 | TBD |
| Financial Institutions Nondepository Special Fund (SB 6) | 1.3 | 0.2 |
| Revenue Adjustments | | |
| BRE March 2018 – Adjust for Federal Tax Changes | 547.1 | 547.1 |
| BRE March 2018 – Other Adjustments | -152.9 | -152.9 |
| Spending | | |
| Supplemental Budget No. 1 | 10.0 | 10.0 |
| Net Senate Budget Cuts | | 25.3 |
| Additional Savings Reserved for Senate Priorities | | 42.7 |
| Senate Priorities | | -42.7 |
| Fiscal 2019 Estimated Closing Balance | \$504.8 | \$129.5 |
| Maryland Taxpayer Protection Act (SB 733) | -\$614.8 | \$0.0 |
| Revised Fiscal 2019 Estimated Closing Balance | -\$110.0 | \$129.5 |

BRE: Board of Revenue Estimates

Budget Summary
Fiscal 2018 and 2019
(\$ in Millions)
General Fund

| | <u>Admin.</u> | <u>SB&T</u> |
|---|----------------------|------------------------|
| <u>Fiscal 2018</u> | | |
| Ending Balance Before Legislative Action | \$101.1 | \$101.1 |
| Revenues – BRE March Revision | -39.4 | -39.4 |
| Revenues – Legislation | 0.4 | 0.0 |
| Fund Transfers – Legislation | 9.0 | 9.0 |
| Expenditure Reductions – Deficiencies and Reversions* | 112.0 | 122.8 |
| Expenditure Reductions – Contingent on BRFA | 0.0 | 5.5 |
| Adjusted Ending Balance | \$183.2 | \$199.0 |
| <u>Fiscal 2019</u> | | |
| Revenues – BRE Estimate | \$17,624.9 | \$17,624.9 |
| Revenues – BRE March Revision | 433.6 | 433.6 |
| Other Revenues | 30.1 | 30.1 |
| Revenues – Legislation | -634.0 | -301.0 |
| Total Revenues and Balance | \$17,637.8 | \$17,986.6 |
| Expenditures – Allowance | \$18,148.4 | \$18,148.4 |
| Supplemental Budget No. 1 | 5.0 | 5.0 |
| Expenditure Additions – General Assembly | 0.0 | 0.3 |
| Expenditure Reductions – Contingent on Legislation | -405.6 | -281.7 |
| Expenditure Reductions | 0.0 | -14.8 |
| Rainy Day Fund | 0.0 | 0.0 |
| Total Expenditures | \$17,747.8 | \$17,857.1 |
| Ending Balance (Revenues Less Expenditures) | -\$110.0 | \$129.5 |
| <u>Cash Position</u> | | |
| General Fund Balance | -\$110.0 | \$129.5 |
| Rainy Day Fund Balance – June 30, 2019 | 879.0 | 879.0 |
| Total | \$769.0 | \$1,008.5 |
| Cash and Rainy Day Fund Over 5% | -\$112.2 | \$105.5 |

BRE: Board of Revenue Estimates
BRFA: Budget Reconciliation and Financing Act
SB&T: Senate Budget and Taxation Committee

* Expenditure reductions for the Administration are assumed reversions and a budget bill reduction to fiscal 2018 health insurance.

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

General Funds

| | <u>SB&T</u> |
|---|-----------------|
| <u>Local Aid</u> | |
| C Reduce Funds for Teacher Induction and Retention Program | \$2.0 |
| C Repeal Anne Arundel Teacher Pilot Program | 1.9 |
| Reduce Overbudgeted Funds for Teacher Quality Incentives | 1.3 |
| C Fund Next Generation Scholars at FY 2018 Level | 0.3 |
| Total | \$5.5 |
| <u>Medicaid</u> | |
| <i>Special Funds from a Legal Settlement Replace General Funds</i> | \$8.1 |
| C Support Medicaid with Special Funds from Trauma Physician Fund | 8.0 |
| C Slow Phase-down of Medicaid Hospital Assessment | 5.0 |
| Total | \$21.1 |
| <u>Higher Education</u> | |
| C Reduce Funding for Maryland 529 Match to \$3 Million to Better Align with Actual Experience | \$4.0 |
| Total | \$4.0 |
| <u>Reserves/Pensions/Debt</u> | |
| Reduce Appropriation to Rainy Day Fund | \$150.3 |
| C Reduce Supplemental Payment to Pension System | 50.0 |
| | \$200.3 |
| <u>State Agencies</u> | |
| C Accelerate Shift of State Retirees to Medicare Part D from July 2019 to January 2019 | \$34.9 |
| Reduce Salary Enhancements for Judges and No Merit Salary Increase for Judicial Employees | 6.7 |
| C <i>Return Unspent Fiscal 2018 Funds for DDA to General Fund</i> | 4.0 |
| <i>Reduce Surplus Fiscal 2018 Health Insurance Funding in Judiciary and General Assembly</i> | 5.5 |
| Reduce Operating Funding for Judiciary | 4.3 |
| Delete 23 New Pins for Judiciary and Associated Funding | 1.4 |
| C <i>Recapture Unspent Fiscal 2018 Funds for a \$10 Grant Monthly Grant Increase for TDAP Enrollees</i> | 1.4 |
| <i>Reduce Fiscal 2018 Funds for Residential Per Diems at Juvenile Services</i> | 1.3 |
| <i>Require Dept. of General Services to Return Funds Retained Improperly in Fiscal 2017</i> | 1.3 |
| Savings from Fund Swap for Office of Financial Regulation (contingent on SB 6) | 1.3 |
| Reduce Funds for Residential Per Diems and Overtime at Juvenile Services | 0.7 |
| State Retirement Agency Custodial Banking Contract Savings | 0.2 |
| Operating Savings in GOCCP and DBM | 0.2 |
| <i>No Deficiency for Criminal Intelligence Network Positions</i> | 0.1 |
| Total | \$63.3 |

Pay-as-you-go

| | | |
|---|---|----------------|
| C | Defer Portion of Transfer Tax Repayment | \$15.0 |
| C | No Funds for SEED Community Development Anchor Institution Fund | 5.0 |
| C | Reduce Fund for Baltimore Regional Neighborhood Initiative | 4.0 |
| | Total | \$24.0 |
| | Total General Funds | \$318.2 |

Special Funds

SB&T

Operating Costs

| | | |
|---|--|---------------|
| | Reduce Overbudgeted Funds for HSCRC and MHCC | \$26.0 |
| C | Accelerate Shift of State Retirees to Medicare Part D from July 2019 to January 2019 | 7.7 |
| | Finance Acquisition of Equipment for State Elections over Three Years | 5.4 |
| | Recognize State Retirement Agency Savings from New Custodial Banking Contract | 0.9 |
| | <i>Reduce Surplus Fiscal 2018 Health Insurance Funding in Judiciary</i> | 0.3 |
| | Align Budgeted Vacancy Rate with Actual Experience for Maryland Port | 0.1 |
| | Total | \$40.4 |

Pay-as-you-go Capital

| | | |
|--|---|--------------|
| | Reduce Funding for Program Open Space State Land Acquisitions | \$1.9 |
| | Additional Vacancy Savings for Maryland Port Administration | 0.04 |
| | Total | \$1.9 |

Total Special Fund Reductions to Governor's Proposed Budget **\$42.3**

- DBM: Department of Budget and Management
- DDA: Developmental Disabilities Administration
- GOCCP: Governor's Office of Crime Control and Prevention
- HSCRC: Health Services Costs Review Commission
- MHCC: Maryland Health Care Commission
- 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 Priorities (\$ in Millions)

Administration Reductions to SB&T Priorities Rejected or Modified by Committee

| <u>Administration Proposal</u> | <u>Admin Reduction</u> | <u>SB&T Reduction</u> |
|---|----------------------------|-------------------------------|
| Restructure Payments to Prince George's Regional Medical Center | \$29.0 | \$0.0 |
| Shift Property Assessment Costs to Locals | 19.7 | 0.0 |
| Reduce DDA Provider Rate Increase from 3.5% to 1% | 14.6 | 0.0 |
| Slow Phase-down of Medicaid Hospital Assessment | 10.0 | 5.0 |
| Reduce Funds for Baltimore Regional Neighborhood Initiative | 9.0 | 4.0 |
| Reduce Behavioral Health Provider Rate Increase from 3.5% to 2% | 7.9 | 0.0 |
| Level Fund Grant to Private Colleges and Universities | 7.4 | 0.0 |
| Repeal Teacher Induction, Retention, and Advancement | 5.0 | 2.0 |
| Public School Opportunities Program (re-purposed by committee) | 5.0 | 0.0 |
| No Funds for Next Generation Scholars | 5.0 | 0.3 |
| No New Funding for UMBC to Improve Funding Guideline Attainment | 4.0 | 0.0 |
| Level Fund USM Center for Economic and Entrepreneurship Development | 2.0 | 0.0 |
| Reduce Funding for Arts Council | 1.0 | 0.0 |
| Level Fund BCCC | 0.9 | 0.0 |
| Level Fund Local Health Department Formula Grant | 0.9 | 0.0 |
| No Robotics Grants | 0.3 | 0.0 |
| Total Reductions | \$121.7 | \$11.3 |

Funds Restricted for Priorities Not Funded by Governor

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

BCCC: Baltimore City Community College
 DDA: Developmental Disabilities Administration
 SB&T: Senate Budget and Taxation Committee
 UMBC: University of Maryland Baltimore County
 USM: University System of Maryland

Senate Budget and Taxation Committee
Status as of March 12, 2018

| | <u>Fiscal 2018</u> | <u>Fiscal 2019</u> |
|--|-------------------------|-------------------------|
| Starting General Fund Balance | \$258,549,955 | \$199,003,779 |
| 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 | -101,044,254 |
| Additional Revenues | 35,849,928 | 30,083,180 |
| Subtotal Revenues | \$17,063,988,746 | \$17,787,591,915 |
| Subtotal Available Revenues | \$17,322,538,701 | \$17,986,595,694 |
| 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 | 0 | 5,000,000 |
| Board of Public Works Withdrawn Appropriations | -60,978,555 | 0 |
| Legislative Reductions/Contingent Legislation | -21,694,288 | -295,044,559 |
| Estimated Agency Reversions | -87,041,250 | -35,000,000 |
| Subtotal Appropriations | \$17,123,534,922 | \$17,857,145,572 |
| Closing General Fund Balance | \$199,003,779 | \$129,450,122 |

State Expenditures – General Funds

(\$ in Millions)

| <u>Category</u> | SB&T | | SB&T | SB&T | FY 2018 to FY 2019 | |
|--------------------------------------|----------------------|-------------------|-------------------|----------------------|--------------------|-------------|
| | FY 2018 | FY 2019 | FY 2019 | FY 2019 | \$ Change | % Change |
| | <u>Work. Approp.</u> | <u>Allowance</u> | <u>Reductions</u> | <u>Appropriation</u> | | |
| Debt Service | \$259.6 | \$289.0 | \$0.0 | \$289.0 | \$29.4 | 11.3% |
| 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 | 13.0 | 3,384.9 | 186.8 | 5.8% |
| Property Tax Credits | 89.6 | 90.6 | 0.0 | 90.6 | 1.0 | 1.1% |
| Entitlements | \$3,531.7 | \$3,719.5 | \$13.0 | \$3,706.5 | \$174.8 | 4.9% |
| 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 | 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 | 1,494.7 | 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 | 1.7 | 747.7 | 83.9 | 12.6% |
| Judiciary | 485.8 | 524.2 | 12.4 | 511.8 | 26.0 | 5.3% |
| 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 | \$6,768.8 | \$7,092.2 | \$53.5 | \$7,038.7 | \$269.9 | 4.0% |
| Total Operating | \$17,182.0 | \$17,863.8 | \$72.0 | \$17,791.8 | \$609.8 | 3.5% |
| Capital ⁽¹⁾ | \$9.5 | \$57.3 | \$9.0 | \$48.3 | \$38.8 | 408.5% |
| Subtotal | \$17,191.5 | \$17,921.1 | \$81.0 | \$17,840.1 | \$648.6 | 3.8% |
| Reserve Funds | \$10.0 | \$267.3 | \$215.3 | \$52.0 | \$42.0 | 420.2% |
| Appropriations | \$17,201.5 | \$18,188.4 | \$296.3 | \$17,892.1 | \$690.6 | 4.0% |
| Reversions | -\$78.0 | -\$35.0 | \$0.0 | -\$35.0 | \$43.0 | -55.1% |
| Grand Total | \$17,123.5 | \$18,153.4 | \$296.3 | \$17,857.1 | \$733.6 | 4.3% |

SB&T: Senate Budget and Taxation Committee

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

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$107.4 million in deficiencies, and SB&T 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 SB&T cuts include \$280.5 million in reductions contingent on the BRFA and \$1.2 million contingent on SB 6.

State Expenditures – State Funds (\$ in Millions)

| <u>Category</u> | SB&T | | SB&T | SB&T | FY 2018 to FY 2019 | |
|--------------------------------------|----------------------|-------------------|-------------------|----------------------|--------------------|-------------|
| | FY 2018 | FY 2019 | FY 2019 | FY 2019 | \$ Change | % Change |
| | <u>Work. Approp.</u> | <u>Allowance</u> | <u>Reductions</u> | <u>Appropriation</u> | | |
| Debt Service | \$1,564.3 | \$1,626.8 | \$0.0 | \$1,626.8 | \$62.5 | 4.0% |
| 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 | 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 | 6,103.0 | 0.0 | 6,103.0 | 158.0 | 2.7% |
| Other Education | 495.6 | 516.7 | 4.0 | 512.7 | 17.1 | 3.4% |
| Transportation | 1,905.1 | 1,955.9 | 0.1 | 1,955.8 | 50.6 | 2.7% |
| Agriculture/Natural Res./Environment | 412.5 | 419.2 | 0.0 | 419.2 | 6.7 | 1.6% |
| Other Executive Agencies | 1,354.7 | 1,481.7 | 6.7 | 1,475.0 | 120.3 | 8.9% |
| Judiciary | 551.8 | 586.4 | 12.4 | 574.0 | 22.2 | 4.0% |
| 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 | \$15,088.0 | \$15,576.4 | \$92.4 | \$15,484.0 | \$396.0 | 2.6% |
| Total Operating | \$28,689.4 | \$29,567.4 | \$97.8 | \$29,469.6 | \$780.1 | 2.7% |
| Capital ⁽¹⁾ | \$1,826.1 | \$1,967.5 | \$10.9 | \$1,956.6 | \$130.5 | 7.1% |
| 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 | 10.9 | 238.1 | 80.5 | 51.1% |
| Subtotal | \$30,515.6 | \$31,534.9 | \$108.8 | \$31,426.1 | \$910.6 | 3.0% |
| Reserve Funds | \$10.0 | \$267.3 | \$215.3 | \$52.0 | \$42.0 | 420.2% |
| Appropriations | \$30,525.6 | \$31,802.2 | \$324.1 | \$31,478.1 | \$952.6 | 3.1% |
| Reversions | -\$78.0 | -\$35.0 | \$0.0 | -\$35.0 | \$43.0 | -55.1% |
| Grand Total | \$30,447.6 | \$31,767.2 | \$324.1 | \$31,443.1 | \$995.6 | 3.3% |

SB&T: Senate Budget and Taxation Committee

⁽¹⁾ Includes the Sustainable Communities 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 SB&T 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 SB&T cuts include \$288.2 million in reductions contingent on the BRFA, \$1.3 million contingent on SB 6, and \$14.3 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds (\$ in Millions)

| <u>Category</u> | <u>SB&T</u> | | <u>SB&T</u> | <u>FY 2019</u> | <u>SB&T to FY 2019</u> | |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|----------------------------|-----------------|
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2019</u> | <u>Adjusted</u> | <u>\$ Change</u> | <u>% Change</u> |
| | <u>Work. Approp.</u> | <u>Allowance</u> | <u>Reductions</u> | <u>Allowance</u> | | |
| Debt Service | \$1,575.8 | \$1,639.6 | \$0.0 | \$1,639.6 | \$63.8 | 4.1% |
| 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 | 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 | 6,103.0 | 0.0 | 6,103.0 | 158.0 | 2.7% |
| Other Education | 766.5 | 782.1 | 4.0 | 778.1 | 11.6 | 1.5% |
| Transportation | 2,002.5 | 2,054.4 | 0.1 | 2,054.3 | 51.7 | 2.6% |
| Agriculture/Natural Res./Environment | 479.5 | 487.6 | 0.0 | 487.6 | 8.1 | 1.7% |
| Other Executive Agencies | 1,977.2 | 2,068.8 | 7.0 | 2,061.8 | 84.6 | 4.3% |
| Judiciary | 552.9 | 586.6 | 12.4 | 574.2 | 21.3 | 3.9% |
| 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 | \$17,741.2 | \$18,269.3 | \$97.3 | \$18,172.0 | \$430.8 | 2.4% |
| Total Operating | \$40,698.4 | \$41,520.9 | \$102.8 | \$41,418.2 | \$719.8 | 1.8% |
| Capital ⁽¹⁾ | \$2,941.2 | \$3,098.5 | \$10.9 | \$3,087.6 | \$146.3 | 5.0% |
| 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 | 10.9 | 262.6 | 38.4 | 17.2% |
| Subtotal | \$43,639.6 | \$44,619.5 | \$113.7 | \$44,505.7 | \$866.1 | 2.0% |
| Reserve Funds | \$10.0 | \$267.3 | \$215.3 | \$52.0 | \$42.0 | 420.2% |
| Appropriations | \$43,649.6 | \$44,886.8 | \$329.0 | \$44,557.8 | \$908.1 | 2.1% |
| Reversions | -\$78.0 | -\$35.0 | \$0.0 | -\$35.0 | \$43.0 | -55.1% |
| Grand Total | \$43,571.6 | \$44,851.8 | \$329.0 | \$44,522.8 | \$951.1 | 2.2% |

SB&T: Senate Budget and Taxation Committee

⁽¹⁾ Includes the Sustainable Communities 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 SB&T cuts to the deficiencies including \$8.5 million in reductions contingent on the Budget Reconciliation and Financing Act of 2018 (BRFA) (SB 187). The fiscal 2019 SB&T cuts include \$292.8 million in reductions contingent on the BRFA, \$1.3 million contingent on SB 6, and \$14.3 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 | -280,458,168 | 5,271,149 | -4,641,981 | 0 | -279,829,000 |
| Subtotal | -\$285,929,841 | \$5,271,149 | -\$7,634,301 | \$0 | -\$288,292,993 |
| Senate Budget and Taxation Committee Reductions | | | | | |
| Fiscal 2018 Deficiencies | -\$16,222,615 | \$9,131,117 | \$0 | \$0 | -\$7,091,498 |
| Fiscal 2019 Budget | -15,844,998 ⁽³⁾ | -33,070,886 | -291,000 | 0 | -49,206,884 |
| Total Reductions | -\$32,067,613 | -\$23,939,769 | -\$291,000 | \$0 | -\$56,298,382 |
| Appropriations | | | | | |
| Fiscal 2018 Budget | \$17,123,534,922 | \$8,883,130,655 | \$13,124,083,290 | \$4,440,895,144 | \$43,571,644,011 |
| Fiscal 2019 Budget | 17,857,145,572 | 9,054,883,003 | 13,079,619,131 | 4,531,117,954 | 44,522,765,660 |
| Change | \$733,610,650 | \$171,752,348 | -\$44,464,159 | \$90,222,810 | \$951,121,649 |

⁽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, \$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, & Regulation.

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

Fund Balance Transfers – Fiscal 2018

| | |
|--|-------|
| Transfer from the University System of Maryland State-supported Fund Balance | \$9.0 |
|--|-------|

Contingent Reductions – Fiscal 2018

| | |
|--|-------|
| Reduce Unspent Fiscal 2018 Administrative Funds for DDA | \$4.0 |
| Reduce Unspent Fiscal 2018 Funds for TDAP Grant Increase | 1.4 |

Contingent Reductions – Fiscal 2019

| | |
|---|---------|
| Reduce Appropriation to Rainy Day Fund | \$150.3 |
| Reduce Supplemental Payment to Pension System to \$75 Million | 50.0 |
| Medicare Eligible State Retirees to Enroll in Medicare Part D in January 2019 | 34.9 |
| Defer Portion of Transfer Tax Repayment | 15.0 |
| Slow Phase-down of Medicaid Deficit Assessment on Hospitals | 5.0 |
| Reduce Funds for Baltimore Regional Neighborhood Initiative | 4.0 |
| Utilize Trauma Physicians Fund for Medicaid | 8.0 |
| SEED Anchor Institution Program | 5.0 |
| Reduce Teacher Induction, Retention, and Advancement Pilot Program | 2.0 |
| Reduce Next Generation Scholars Mandate | 0.3 |
| Reduce Funding for 529 Match | 4.0 |
| Repeal Anne Arundel Teacher Pilot Program | 1.9 |

| | |
|---------------------------------------|----------------|
| Total Reductions and Transfers | \$294.9 |
|---------------------------------------|----------------|

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 |
|---|----------|

| | |
|---|---------------|
| Total Impact of BRFA on Senate Budget and Taxation Committee Budget Plan | \$94.9 |
|---|---------------|

BRFA: Budget Reconciliation and Financing Act
DDA: Developmental Disabilities Administration
TDAP: Temporary Disability Assistance Program

Senate Budget and Taxation 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 Senate Budget and Taxation Committee (SB&T), accomplishes the following for the General Fund:

| | |
|---|------------------------|
| Fiscal 2018 Fund Transfers | \$9.0 million |
| Fiscal 2018 Expenditure Reductions | 5.4 million |
| Fiscal 2019 Expenditure Reductions | 280.5 million |
| Total Reductions and Transfers | \$294.9 million |
| Fiscal 2019 Revenue Allocations | -\$200.0 million |
| Total Impact of BRFA on SB&T Budget Plan | \$94.9 million |

Technical Amendments: Purpose and function paragraphs and renumbering.

1

Strikes a provision to repeal the mandated use of lottery funds to be used for a grant to the Maryland Office of Sports Marketing for a youth and amateur sports incentive grant program (page 6).

2

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 (pages 6-7).

3

Adds a provision to create a new special fund to support the cost of expected recommendations from the Commission on Innovation and Excellence in Education and credits \$200 million in income tax revenues to that fund (pages 7-8, 24-25, and 28).

4

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

5

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 8-9).

6

Repeals the mandate for a stipend for specified teachers in Anne Arundel County (pages 9-10).

Strikes a provision to repeal the mandated funding for the Robotics Grant Program (page 10).

7

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

| | |
|---|----|
| <i>Strikes a provision to repeal the mandated funding for the Public Schools Opportunities Enhancement Program and lower the funding level in fiscal 2019 (pages 10-11).</i> | 8 |
| <i>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).</i> | 9 |
| <i>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 11-13).</i> | 10 |
| <i>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 13-15).</i> | 11 |
| <i>Reduces to \$4.7 million, for fiscal 2019 only, the mandated funding for the Next Generation Scholars Program (page 15).</i> | 12 |
| <i>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).</i> | 13 |
| <i>Strikes a provision to reduce the mandated funding level for localities under the Core Public Health Services Program to fund fiscal 2019 at the fiscal 2018 level and clarifies the formula used to determine the mandated funding level (page 16).</i> | 14 |
| <i>Strikes a provision to allow the use of the Advance Directive Program Fund for maternal and child health quality initiatives (page 16).</i> | 15 |
| <i>Strikes a provision to reduce the fiscal 2019 provider rate increase under the Developmental Disabilities Administration from 3.5% to 1.0% (pages 16-17).</i> | 16 |
| <i>Strikes a provision to allow the use of the Cord Blood Transplant Center Support Fund for maternal and child health quality initiatives (page 17).</i> | 17 |
| <i>Strikes a provision to reduce the fiscal 2019 behavioral health provider rate increase from 3.5% to 2.0% (page 17).</i> | 18 |
| <i>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 17-18).</i> | 19 |
| <i>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 (pages 18-19).</i> | 20 |

Repeals, for fiscal 2019 only, the mandated funding of \$5.0 million for the Seed Community Development Anchor Institution Fund (page 19).

21

Reduces to \$8.0 million, for fiscal 2019 only, the mandated funding level for the Baltimore Regional Neighborhood Initiative (page 19).

22

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 19-22).

23

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).

24

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 (pages 23-24).

25

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).

25
Cont.

Repeals the mandate to sweep funds to the State Retirement and Pension System for fiscal 2019 only (pages 25-26).

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 26).

25
Cont.

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 26-28).

26

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

27

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 28-30).

28

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 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 30).

29

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 (page 31).

30

Amends the \$35.0 million reduction to the Medicaid Deficit Assessment in fiscal 2019 to \$30.0 million rather than the \$25.0 million originally proposed (page 32).

31

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 32).

32

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 32).

33

Amend the reduction in the fiscal 2019 funding to the Revenue Stabilization Account to \$150.3 million from \$193.0 million (page 33).

34

Authorizes the fiscal 2018 transfer of \$9.0 million from the University System of Maryland State-supported Fund Balance to the General Fund (page 33).

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 33).

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 33).

36

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 33).

37

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 33).

38

Adds a provision to reduce the fiscal 2018 appropriation for the Developmental Disabilities Administration (DDA) by \$5.6 million (\$3.2 million general funds, \$2.4 million federal funds) for nonawarded utilization review contracts (page 33).

38
Cont.

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 33).

38
Cont.

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 (pages 33-34).

Authorizes for fiscal 2019 only \$8.0 million from Maryland Trauma Physicians Services Fund to be used for Medicaid (page 34).

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 34).

39

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 34).

39
Cont.

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 (pages 34-35).

40

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 35).

41

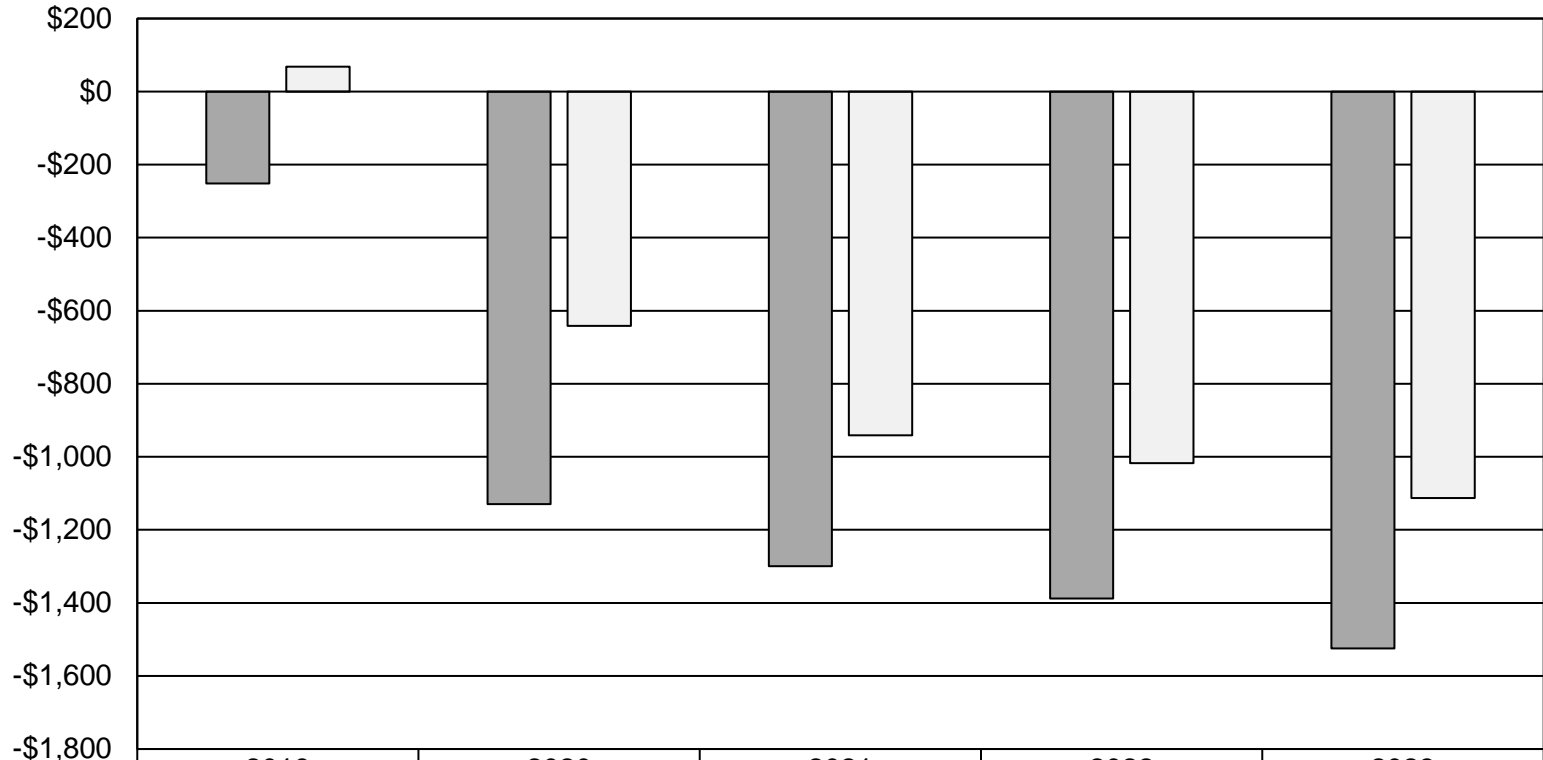
Adds a provision requiring any funds provided to State agencies as a result of conditions of an approved merger between AltaGas Ltd. and WGL Holdings, Inc. to be appropriated through the State budget or other legislation (page 35).

42

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 35).

43

Maryland Structural Budget Status Fiscal 2019-2023



| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------|--------|----------|----------|----------|----------|
| ■ Governor's Plan | -\$251 | -\$1,129 | -\$1,300 | -\$1,388 | -\$1,524 |
| □ SB&T Plan | \$68 | -\$641 | -\$941 | -\$1,017 | -\$1,113 |

■ Governor's Plan

□ SB&T Plan

SB&T: Senate Budget and Taxation Committee