Budget Reconciliation and Financing Act of 2020
(SB 192/HB 152)

Budget Summary, Provisions, and Recommendations

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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2020 Session "To Do" List
($ in Millions)

General Fund Balance Before Legislation		**-$579.1**
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Slow Implementation of Revenue Volatility Adjustment	$133.7	
Cap Film Production Activity Tax Credit for Fiscal 2021 at $10 Million	4.0	
Maryland Health Benefit Exchange Mandate Change	3.0	
Abandoned Property Notification Changes	0.3	
*Franchise Tax Exemption (HB 336/SB 281)	-0.1	
*Hometown Heroes (HB 350/SB 269)	-7.2	
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*Military Retirement Income (HB 361/SB 279)	-10.6	
Subtotal		***$113.1***
Transfers to General Fund		
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Subtotal		***$43.9***
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Local Reserve Account Repayment Alteration	33.3	
Subtotal		***$367.8***
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Baltimore Symphony Orchestra Repeal Mandate	1.6	
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Subtotal		***$53.6***
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Community Facilities Renewal Program Authorization to Use Bonds and Mandate Repeal	4.3	
Maryland Public Broadcasting Commission Mandate Repeal	0.2	
Subtotal		***$94.8***
Fund Swaps		
Medicaid Deficit Assessment Reduction Alteration	$10.0	
Increase Local Cost Share of State Department of Assessments and Taxation to 60%	4.4	
Subtotal		***$14.4***
General Fund Balance After Legislation		**$108.5**

*Denotes items in separate legislation.

General Fund Impact of DLS BRFA Recommendations
Compared to Governor's Plan
Fiscal 2020-2021
($ in Millions)

	2020	2021
New Items		
Repeal Mandate for Child and Parent Resource Group	$0.2	$0.3
Vacancy Savings – DPSCS	18.0	
Developmental Disabilities Administration – Federal Fund Availability	4.1	
Promise Scholarship – Unspent Funds	3.0	
SmartWork Program – Unspent Funds	1.5	
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Bay Restoration Fund Balance		25.0
Raise Drinking Driver Monitor Program Fee		1.7
Preservation of Cultural Arts Revenue to General Fund		1.0
Use Board of Physicians Fund Balance for Maryland Primary Care Program		1.0
Use Board of Pharmacy Fund Balance for Rural Pharmacy Access Initiative		0.8
Subtotal New Items	***$28.2***	***$29.7***
Adjustments to Governor's Proposals		
Cap Medicaid Deficit Assessment Permanently		$15.0
Further Reduce Mandate for Maryland Health Benefit Exchange		1.2
Use Board of Physicians Fund Balance for Medicaid Chronic Health Homes		0.2
Subtotal Adjustments to Governor's Proposals		***$16.4***
Grand Total DLS General Fund Recommendations	**$28.2**	**$46.1**

ASO: Administrative Service Organization
BRFA: Budget Reconciliation and Financing Act
DLS: Department of Legislative Services
DPSCS: Department of Public Safety and Correctional Services
MSDE: Maryland State Department of Education
USM: University System of Maryland

Summary of Provisions and DLS Alternatives

Budget Reconciliation and Financing Act of 2020
(SB 192/HB 152)

Mandate Relief: Ongoing

- ***National Capital Strategic Economic Development Program:*** Repeals the National Capital Strategic Economic Development Program including the mandated appropriations of $200,000 for operating costs and $7.0 million for capital costs in fiscal 2021 through 2025 (Chapter 732 of 2019).

- ***Cade Funding Formula:*** Rebases the program in fiscal 2021 and alters the future formula increases to the level of projected general fund revenue growth.

    - The Department of Legislative Services (DLS) recommends retaining the existing formula for calculating Cade formula aid but permanently setting the aid per full-time equivalent students (FTES) at the community colleges at the percent of State funding per FTES at selected public four-year institutions approved by the General Assembly for Cade in fiscal 2021.

- ***Community College Facilities Renewal Grant Program:*** Repeals the mandate for the Community College Facilities Renewal Grant Program and authorizes the program to be funded in the capital budget.

    - DLS recommends rejecting the repeal of the mandate but authorizing the mandate to be met with general obligation bonds beginning in fiscal 2022.

- ***Sellinger Program:*** Level funds the program in fiscal 2021 at the fiscal 2020 level and alters the future formula increases to 1 percentage point lower than the projected general fund revenue growth.

    - DLS recommends retaining the existing formula for calculating Sellinger formula aid but permanently setting the aid per FTES at the independent institutions at the percent of State funding per FTES at selected public four-year institutions approved by the General Assembly for Sellinger in fiscal 2021.

- ***Maryland Public Broadcasting Commission:*** Eliminates the mandate for the Maryland Public Broadcasting Commission.

- ***Seed Community Development Anchor Institution Program:*** Repeals the mandate and reduces the funding for the Seed Community Development Anchor Institution program from $10 million to $5 million beginning in fiscal 2021 (Chapter 25 of 2019).

- DLS recommends rejecting the repeal of the mandate and reducing the mandate to $5 million for fiscal 2021 only rather than permanently.

- ***Maryland Health Benefit Exchange:*** Reduces the mandate for the Maryland Health Benefit Exchange from $35 million to $32 million beginning in fiscal 2021.

    - DLS recommends reducing the mandate to $31 million rather than $32 million.

- ***City of Annapolis:*** Reduces the mandate for services provided to the State by the City of Annapolis from $750,000 to $367,000 and eliminates the inflationary increase that was set to begin in fiscal 2022 (Chapters 3 and 4 of 2019).

- ***Repayment to the Local Reserve Account:*** Reduces the repayment to the Local Reserve Account annually from $33.3 million to $10 million, extends the repayment period from fiscal 2026 to 2040, and changes the repayment mechanism from an appropriation to a direct distribution from general fund revenues.

- ***Transfer Tax Repayment:*** Alters the repayment of transfer tax revenue to repeal the fiscal 2020 repayment and extend the repayment schedule by one year. In addition, portions of the repayment are restructured to specific levels rather than shares of the total amount.

- ***Maryland Energy Innovation Fund:*** Ends the mandated transfer of $1.5 million from the Strategic Energy Investment Fund to the Maryland Energy Innovation Fund in fiscal 2020 rather than fiscal 2022.

Mandate Relief: One Time

- ***Baltimore Symphony Orchestra:*** Repeals the mandate of $1.6 million for the Baltimore Symphony Orchestra, which was scheduled to end in fiscal 2021 (Chapter 743 of 2019).

- ***Developmental Disabilities Administration Provider Rates:*** Reduces for fiscal 2021 only the mandated rate increase from 4% to 2% for community service providers (Chapters 10 and 11 of 2019).

    - DLS recommends providing a 4% increase effective January 1, 2021, rather than a 2% provider rate increase effective July 1, 2020.

- ***Behavioral Health Provider Rates:*** Reduces for fiscal 2021 only the mandated rate increase for behavioral health providers from 4% to 2% (Chapters 10 and 11 of 2019).

    - DLS recommends providing a 4% increase effective January 1, 2021, rather than a 2% provider rate increase effective July 1, 2020.

- ***Medicaid Provider Rates:*** Reduces for fiscal 2021 only the mandated rate increase for various Medicaid service providers from 4% to 2% (Chapters 10 and 11 of 2019).

    - DLS recommends providing a 4% increase effective January 1, 2021, rather than a 2% provider rate increase effective July 1, 2020.

- ***Pension and Retiree Health Sweeper:*** Eliminates, for fiscal 2021 only, the mandate to distribute general fund surplus to the State Retirement and Pension System and the Post-Retirement Health Benefits Trust Fund.

Changes to the Use of Special Funds

- ***The Blueprint for Maryland's Future Fund Expansion:*** Allows The Blueprint for Maryland's Future Fund to be used for Maryland prekindergarten expansion grants.

- ***Use of CareFirst Premium Tax Exemption:*** Alters the use of the CareFirst premium tax exemption beginning in fiscal 2021 to make the distribution of $8 million to the Community Health Resources Commission a cap rather than a floor and to make the distribution of $14 million to the Senior Prescription Drug Assistance Program a floor rather than a cap.

    - DLS recommends delaying the implementation of this change until fiscal 2022.

- ***Board of Physicians Fund:*** Authorizes a transfer of $199,517 from the Board of Physicians Fund balance to the Maryland Department of Health – Office of the Secretary in fiscal 2021.

    - DLS recommends authorizing the transfer to Medicaid to support the expansion of the Primary Care Model to the Chronic Health Home program rather than the Office of the Secretary in the Maryland Department of Health.

- ***Board of Physicians Fund:*** Authorizes for fiscal 2021 only the use of $400,000 from the Board of Physicians Fund balance for the Loan Assistance Repayment Program for Physicians and Physician Assistants.

- ***Baltimore City Share of Highway User Revenues:*** Requires the diversion of $5.0 million for fiscal 2021 through 2024 from the Baltimore City share of Highway User Revenues to the Maryland Department of Transportation to support capital improvements for the Howard Street Tunnel.

Revenue Actions

- ***Revenue Volatility:*** Changes the cap on the adjustment to general fund revenues related to nonwithholding income tax revenues, sets dollar amounts rather than a percent of general fund revenue, beginning with $60 million in fiscal 2021, and slows the full phase-in to a 2% cap until fiscal 2026 rather than fiscal 2022.

- ***Film Tax Credit:*** Reduces the maximum credits for the film production activity tax credit from $14 million to $10 million in fiscal 2021 only.

  - DLS recommends setting the maximum credits for the film production activity tax credit to $10 million permanently rather than in fiscal 2021 only.

Reversions and Transfers

	Fiscal 2020	Fiscal 2021
Dedicated Purpose Account		
Fiscal 2020 Program Open Space Repayment		$43,860,950
Pension Sweeper	$50,000,000	
WMATA	12,000,000	

Cost Control or Miscellaneous Provisions

- ***Printing of Governor's Budget Books:*** Authorizes the Governor's Budget Books to be provided either electronically or printed at the Governor's discretion and requires certain detail, including Managing for Results measures and personnel detail, to be provided on the Department of Budget and Management website. Repeals the requirement that the information be archived.

  - DLS recommends rejecting the provision as introduced and instead altering the requirements of items that must be included in the printed Governor's Budget Books to allow the Managing for Results and personnel detail to be posted electronically rather than published.

- ***Abandoned Property Publication:*** Eliminates the requirement that abandoned property notices be published and instead requires a quarterly notification of the searchable electronic abandoned property database.

- ***Fiscal Responsibility Fund:*** Repeals the authorization for the Fiscal Responsibility Fund to be used for a fiscal 2021 cost-of-living adjustment for permanent employees represented by certain unions.

- ***State Department of Assessments and Taxation Cost Share:*** Increases the local share of State Department of Assessments and Taxation costs from 50% to 60%.

- ***Medicaid Deficit Assessment:*** Alters the phase-down of the Medicaid Deficit Assessment for fiscal 2021 and 2022 to reduce the phase-down in fiscal 2021 (from $25 million to $15 million) while providing the same total decrease between the two years ($50 million).

    - DLS recommends increasing the Medicaid Deficit Assessment to the level of the assessment in fiscal 2020 ($309,825,000) and keeping it at that level permanently rather than slowing the phase-down for one year.

- ***Provider Rates Set by Interagency Rates Committee:*** Limits the increase in rates for providers who have rates set by the Interagency Rates Committee to 2% in fiscal 2021.

- ***Revenue Stabilization Account:*** Reduces the fiscal 2021 funding to the Revenue Stabilization Account by $284.4 million leaving about a 6.25% fund balance.

DLS Additional Recommendations to SB 192/HB 152 as Introduced

Mandate Relief

- ***Violence Intervention and Prevention Program:*** Repeals a mandate for fiscal 2020 through 2023 for the Child and Parent Resource Group, Inc. within the Violence Intervention Prevention Program and deletes the unspent fiscal 2020 general fund appropriation.

Revenue Actions

- ***Rate Stabilization Fund:*** Stops, beginning in fiscal 2022, the distribution of certain premium tax revenues to the Rate Stabilization Fund and instead directs those revenues to the General Fund.

- ***Drinking Driving Monitor Program Fee:*** Increases, beginning in fiscal 2021, the Drinking Driver Monitor Program fee from $55 to $75.

- ***Preservation of Cultural Arts:*** Alters, beginning in fiscal 2022, the distribution of admissions and amusement (A&A) tax revenues to remove the Preservation of Cultural Arts (POCA) from the distribution and distributes the amount that would have gone to POCA to the General Fund. Authorizes a transfer of $1 million in fiscal 2021 from the Special Fund for POCA to the General Fund.

- ***Land Records Surcharge****:* Extends the sunset on the $40 land records surcharge used to fund the land records offices and the Judiciary's information technology budget, which would revert to $20 under current law.

Cost Containment

- ***SmartWork Program:*** Reduces the fiscal 2020 appropriation for the SmartWork Program by $1.5 million based on utilization.

- ***Dairy Margin Coverage Program:*** Reduces the fiscal 2020 appropriation for premium subsidy payments for the federal Dairy Margin Coverage Program in the Maryland Department of Agriculture by $216,253 based on utilization.

- ***Developmental Disabilities Administration:*** Reduces the fiscal 2020 appropriation for the Maryland Department of Health (MDH) Developmental Disabilities Administration by $4.1 million based on anticipated federal fund attainment through the Medicaid waiver programs.

- ***Administrative Services Organization Contract:*** Reduces the fiscal 2020 appropriation for the new Administrative Services Organization contract in MDH Behavioral Health Administration by $575,000 ($287,500 in each of general and federal funds) based on provisions in the contract authorizing liquidated damages.

- ***Office of Inspector General:*** Reduces the fiscal 2020 appropriation of the Maryland State Department of Education (MSDE) Office of the Inspector General by $400,000 due to startup delays.

- ***Workforce Development Initiatives:*** Reduces the fiscal 2020 appropriation for the University System of Maryland Office for Workforce Development Initiatives at the University System of Maryland at Southern Maryland by $500,000 based on less than anticipated activity.

- ***Maryland Community College Promise Scholarship Program:*** Reduces the fiscal 2020 appropriation for the Maryland Community College Promise Scholarship Program by $3.0 million based on awarded scholarships.

- ***Department of Public Safety and Correctional Services:*** Reduces the fiscal 2020 appropriation for the Department of Public Safety and Correctional Services by $18.0 million based on personnel spending trends.

- ***Concentration of Poverty Grants:*** Reduces the fiscal 2020 special fund appropriation from The Blueprint for Maryland's Future Fund for Concentration of Poverty Grants by $6.2 million based on funding needs.

Fund Swaps

- ***Maryland Primary Care Program:*** Authorizes a transfer of $1.0 million from the Maryland Board of Physicians Fund balance in both fiscal 2021 and 2022 to support the Maryland Primary Care Program to replace general fund support for the program.

- ***Access to Small, Rural Pharmacies:*** Authorizes a transfer of $750,000 from the State Board of Pharmacy Fund balance in both fiscal 2021 and 2022 to Medicaid to provide support for access to small, rural pharmacies to replace general fund support for the initiative.

- ***Bay Restoration Fund Balance:*** Authorizes a transfer of $25 million from the Bay Restoration Fund balance to the Maryland Department of Transportation to facilitate a corresponding reduction in Transportation Trust Fund (TTF) spending supporting the State's compliance with the Watershed Implementation Plan for Chesapeake Bay restoration. The available TTF special funds resulting from this action would then be used to fund an equivalent amount of the Washington Metropolitan Area Transit Authority contribution, resulting in a $25 million general fund reduction.

Miscellaneous

- ***Uninsured Employers' Fund:*** Prohibits, beginning in fiscal 2021, the Uninsured Employers' Fund from expending any money for administrative expenses without an appropriation.

- ***Children's Cabinet Interagency Fund:*** Transfers the role of fiscal agent of the Children's Cabinet Interagency Fund and its associated appropriation from MSDE to the Governor's Office of Crime Prevention, Youth, and Victim Services.

- ***Distribution of Electronic Bingo and Electronic Tip Jar Revenue:*** Prohibits the direct distribution of revenue from the State A&A tax on electronic bingo and electronic tip jars in Calvert County to specified recipients to ensure that these distributions occur through an appropriation.

- ***Restoration of Cuts:*** Prohibits the restoration of an item specifically reduced by the General Assembly, by the budget amendment procedure or otherwise, for the same purpose as originally proposed except in an emergency.

- ***Medicaid Value-based Purchasing Program:*** Alters the distribution of payments collected under the value-based purchasing program and specifies how any surplus funding collected under the program can be used.

- ***Maryland 529 Save4College State Contribution Program:*** Clarifies that the Maryland 529 Save4College State Contribution Program award allocation is limited to one match per beneficiary.

Detail on Alternative and Additional Recommendations on SB 192/HB 152

Proposed Amendment to SB 192/HB 152 as Introduced

Required Information and Format of Annual Budget Books

Provision in BRFA as Introduced: Repeals the requirement that the Governor provide printed copies of the budget books to the General Assembly and the Department of Legislative Services and that the Department of Budget and Management (DBM) archive the information on its website. Instead, the budget books may be provided in electronic format at the Governor's discretion, while the required information in the budget books must be posted on the DBM website simultaneously with the submission of the annual budget.

Provision as Recommended by DLS: Rejects the Budget Reconciliation and Financing Act (BRFA) provision as introduced and instead amends Section 7-115 of the State Finance and Procurement Article to remove personnel detail and Managing for Results submissions from the information required to be included in the annual budget books and instead allowing that information to be provided electronically.

Agency: DBM

Type of Action: Administrative

Fiscal Impact of DLS Recommendation vs. Current Law: Minimal impact in fiscal 2021.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: As introduced, the BRFA provision causes general fund expenditures to decrease by $48,751 annually beginning in fiscal 2021 to the extent that the Governor chooses not to print the budget books. A lesser amount of savings would be attained under this proposal.

Background/Recent History: The BRFA of 2017 clarified and specified the information that DBM must publish in the annual budget books and required DBM to publish information included in the budget books on its website. In prior years when the Governor's Budget Books did not include Managing for Results or personnel detail, the Governor's Budget Books included two rather than three volumes of budget detail, in addition to the *Capital Improvement Program* and budget highlights volume.

State Effect: General fund expenditures decrease slightly from the current cost of $48,751 to print the budget books to the extent that fewer volumes would be printed.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Senator John A. Cade Funding Formula for Local Community College Aid

Provision in BRFA as Introduced: Rebases the level of general funds that the Governor must provide for the Senator John A. Cade Funding Formula (Cade formula) for the distribution of funds to community colleges in fiscal 2021 to $267,916,591, specifies the distribution among community colleges, and alters the formula for future growth beginning in fiscal 2022 to the level of general fund growth. General fund growth is determined by the percentage point by which the projected total general fund revenues for the upcoming fiscal year exceed the revised estimate of total general fund revenues for the current fiscal year, as contained in the December report of the Board of Revenue Estimates. The Governor's proposed fiscal 2021 budget includes an $18.2 million general fund reduction for the Cade formula, contingent upon the enactment of legislation reducing the growth in the Cade formula over the fiscal 2020 appropriation by 50%.

Provision as Recommended by DLS: Retains the existing formula for calculating Cade formula aid and permanently sets the aid per full-time equivalent students (FTES) at the community colleges at the percentage of State funding per FTES at the selected public four-year institutions that the General Assembly utilizes for fiscal 2021 Cade formula funding.

Agency: Maryland Higher Education Commission

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law: General fund expenditures decrease beginning in fiscal 2022 because under current law, the percentage of State funding per FTES at the selected public four-year institutions rises in fiscal 2022 and 2023 compared to fiscal 2021. As a result, even if Cade funding is provided at the level under current law, the future funding levels would be lower than current law. The magnitude of such a decrease cannot be calculated until the final fiscal 2021 level of funding for Cade and the selected public four-year institutions is known.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: The impact compared to the Budget Reconciliation and Financing Act (BRFA) as introduced, beginning in fiscal 2022, is of an unknown magnitude and direction as future funding increases under the provision as recommended are based on the final fiscal 2021 funding levels for the Cade formula and the selected public four-year institutions. Until those levels are known, it is unclear how the future levels will compare to projected general fund growth.

Background/Recent History: The Cade formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State's per FTES funding for select public four-year institutions of higher education. This per FTES amount is multiplied by total community college enrollment from the second prior year to arrive at the total formula amount for the colleges. Each college's share of the total is then based primarily on its proportion of formula funding from the prior year and enrollment.

Chapter 333 of 2006 began a phased enhancement of the Cade formula that has been adjusted frequently by budget reconciliation legislation. The most recent alteration reducing funding levels was enacted in the BRFA of 2015, which reduced the fiscal 2016 appropriation by $9.0 million.

State Effect: General fund expenditures are reduced beginning in fiscal 2022. However, the exact impact on general fund expenditures is unknown until the final fiscal 2021 funding levels for the Cade Formula and funding per FTES at the selected public four-year institutions are known. Regardless of whether funding is provided at the level allowed under current law, the provision as recommended will reduce out-year expenditures as current law provides increases in the maximum percentage of per FTES funding in fiscal 2022 and 2023.

Local Effect: Direct State aid for local community colleges would decrease by an unknown magnitude.

Subcommittee Assignments: EBA/EED 6 – DLS Alt

Proposed Amendment to SB 192/HB 152 as Introduced

Strike Repeal of Mandate and Alter Funding of the Community College Facilities Renewal Program

Provision in BRFA as Introduced: Repeals the mandate that the Governor annually provide a general fund allowance for the Community College Facilities Renewal Program and authorizes the Governor to provide funding through the operating or capital budget on a discretionary basis beginning in fiscal 2021. The Governor's proposed fiscal 2021 budget includes a $4,333,000 general fund reduction, contingent on legislation altering the mandate and instead funding the program with $4,223,000 of general obligation (GO) bonds.

Provision as Recommended by DLS: Rejects the repeal of the mandate for the Community College Facilities Renewal Program and provides the Governor the option of funding the mandate for the program using either general funds or GO bonds beginning in fiscal 2022.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law: The provision as recommended by the Department of Legislative Services retains the mandate but allows the Governor the option of funding the program through GO bonds or general funds beginning in fiscal 2022.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF PAYGO Exp.	$0.0	$4.3	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The Community College Facilities Renewal Grant Program provides grants for eligible facility renewal projects at Maryland's 16 community colleges, including Baltimore City Community College. MHEC administers the program. Grants provided by the program are in addition to, and may not supplant, funds provided by the Community College Construction Grant Program (CCCGP). The program is required to be funded by the Governor at 5.0% of the appropriation of the CCCGP.

State Effect: General fund expenditures for the Community College Facilities Renewal Program increase by $4.3 million. Restoring the general fund support may allow the $4.2 million of bonds authorized for the program in fiscal 2021 to be reprogrammed for other purposes. The Governor's 2020 *Capital Improvement Program* includes $4.0 million of general funds annually through fiscal 2025 so restoring the mandate will not increase spending. Compared to current law, beginning in fiscal 2022, general fund expenditures could be reduced by $4 million in any year that the Governor chooses to fund the mandate with GO bonds. Providing funding through

GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Sellinger Formula Alteration

Provision in BRFA as Introduced: Rebases the level of general funds that the Governor must provide for the Joseph A. Sellinger formula for qualifying institutions to the fiscal 2020 appropriation ($59,024,905), specifies the distribution among institutions, and alters the formula for future growth beginning in fiscal 2022 to 1 percentage point less than general fund growth. General fund growth is determined by the percentage point by which the projected total general fund revenues for the upcoming fiscal year exceed the revised estimate of total general funds revenues for the current fiscal year, as contained in the December report of the Board of Revenue Estimates. The Governor's proposed fiscal 2021 budget is reduced by $32.0 million, contingent on enactment of legislation to level fund the grant to private colleges and universities at the fiscal 2020 appropriation.

Provision as Recommended by DLS: Retains the existing formula for calculating Sellinger aid and permanently sets the aid per full-time equivalent student (FTES) at the independent institutions at the percentage of State funding per FTES at the selected public four-year institutions that the General Assembly utilizes for fiscal 2021 Sellinger funding.

Agency: Maryland Higher Education Commission

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law: If the Sellinger formula is funded at the level in current law in fiscal 2021, there would be no fiscal impact because the fiscal 2021 level was at the highest level of percentage of per FTES at the selected public four-year institutions planned under current law. However, if the General Assembly approves a fiscal 2021 level of funding below current law, the provision would result in a decrease in general fund expenditures beginning in fiscal 2022. The magnitude of such a decrease cannot be calculated until the final fiscal 2021 level of funding for Sellinger and the selected public four-year institutions is known.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: The impact compared to the Budget Reconciliation and Financing Act (BRFA) as introduced, beginning in fiscal 2022, is of an unknown magnitude and direction as future funding increases under the provision as recommended are based on the final fiscal 2021 funding levels for Sellinger and the selected public four-year institutions. Until those levels are known, it is unclear how the future levels will compare to projected general fund growth.

Background/Recent History: The Joseph A. Sellinger Program provides State funding to 13 qualifying nonprofit independent colleges and universities. The Sellinger formula uses a percentage of the State's per FTES funding for select public four-year institutions of higher education to determine a per FTES funding amount for the independent institutions. Under current law, the mandated Sellinger percentage of per FTES funding at the four-year institutions is 15.5% for fiscal 2021 and thereafter.

The BRFA of 2012 set State funding per FTES at the fiscal 2013 level from fiscal 2014 through 2017 and reduced formula funding levels for fiscal 2018 through 2020. The BRFA of 2014 altered the funding percentages to increase support for eligible institutions sooner than originally planned. The BRFA of 2015 set Sellinger funding for fiscal 2016 at $42.8 million but did not alter the statutory percentages for future years. In fiscal 2020, funding of the formula was reduced by $0.4 million.

State Effect: General fund expenditures are potentially reduced beginning in fiscal 2022. However, the impact on general fund expenditures is unknown until the final fiscal 2021 funding levels for Sellinger and the selected public four-year institutions are known. If funding is provided at the level allowed under current law, the provision as recommended will have no impact compared to current law because Sellinger reached the maximum percentage of per FTES funding provided in fiscal 2021. If funding is reduced from the current law level, the provision would result in a decrease in general fund expenditures.

Local Effect: None.

Subcommittee Assignments: EBA/EED 8 – DLS Alt

Proposed Amendment to SB 192/HB 152 as Introduced

Adjust Provider Rates for Community Service Providers in the Developmental Disabilities Administration

Provision in BRFA as Introduced: Reduces the rate increase that the Governor must provide to community service providers from 4.0% to 2.0% in fiscal 2021 only. The Governor's proposed fiscal 2021 budget includes a $13.5 million general fund reduction, a $70,130 special fund reduction, and a $11.8 million federal fund reduction, contingent on legislation reducing the mandate.

Provision as Recommended by DLS: Alters the timing of the provider rate increase for fiscal 2021 only so that the increase is effective January 1, 2021, rather than July 1, 2020, and provides a 4% increase rather than 2% as proposed in the bill as introduced.

Agency: Maryland Department of Health

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
FF Rev.	$0.0	-$11.8	$0.0	$0.0	$0.0	$0.0
GF Exp.	0.0	-13.3	0.0	0.0	0.0	0.0
SF Exp.	0.0	-0.1	0.0	0.0	0.0	0.0
FF Exp.	0.0	-11.8	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
FF Rev.	$0.0	$0.0	$12.7	$13.5	$14.4	$15.2
GF Exp.	0.0	0.0	13.9	14.7	15.6	16.6
SF Exp.	0.0	0.0	0.1	0.1	0.1	0.1
FF Exp.	0.0	0.0	12.7	13.5	14.4	15.2

Background/Recent History: Chapters 10 and 11 of 2019 required the Governor to provide an annual 4.0% rate increase for the Developmental Disabilities Administration community service providers from fiscal 2021 through 2026.

State Effect: General fund expenditures are reduced in fiscal 2021 by $13.3 million, the same level as the provision as introduced. Similarly, special funds decrease by $70,130, and federal fund revenues and federal fund expenditures decrease by $11.8 million. Out-year revenues and expenditures are not impacted by the provision. However, this results in an increase in general fund expenditures, special fund expenditures, federal fund revenues, and federal fund expenditures compared to the provision as introduced because providers receive the full 4% rate increase under current law in fiscal 2021 rather than a reduced level.

Local Effect: Montgomery County pays community service providers a wage supplement so that direct care workers receive, on average, 125% of the county minimum wage; county expenditures may increase in fiscal 2021 only to account for the reduced State support for provider rates.

Proposed Amendment to SB 192/HB 152 as Introduced

Adjust Behavioral Health Administration Provider Rates

Provision in BRFA as Introduced: Reduces, for fiscal 2021 only, the rate increase that the Governor must provide to certain Medicaid providers from 4.0% to 2.0%. The Governor's proposed fiscal 2021 budget includes a $11.5 million general fund reduction and a $13.0 million federal fund reduction, contingent on legislation reducing the required provider rate increase.

Provision as Recommended by DLS: Alters the timing of the provider rate increase, for fiscal 2021 only, so that the rate increase is effective January 1, 2021, rather than July 1, 2020, and provides a 4% increase rather than 2% as proposed in the bill as introduced.

Agency: Maryland Department of Health

Type of Action: Mandate Relief; Cost Containment

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.		-$11.1	$0.0	$0.0	$0.0	$0.0
FF Exp.		-13.0	0.0	0.0	0.0	0.0
FF Rev.		-13.0	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.		$0.0	$14.6	$15.2	$15.8	$16.6
FF Rev.		0.0	19.0	20.1	21.1	22.3
FF Exp.		0.0	19.0	20.1	21.1	22.3

Background/Recent History: Chapters 10 and 11 of 2019 established mandatory provider rate increases for community providers of behavioral health services for fiscal 2021 to 2026. Rates for community service providers are scheduled to increase by 4% in fiscal 2021, 3.5% in fiscal 2022, 3.25% in fiscal 2023, 3% in fiscal 2024, and 4% in fiscal 2025 and 2026.

State Effect: General fund expenditures are reduced in fiscal 2021 by $11.1 million, the same level as the provision as introduced. Similarly, federal fund revenues and federal fund expenditures decrease by $13.0 million due to federal reimbursement of the services, which is the same level as the provision as introduced. Out-year revenues and expenditures are not impacted by the provision. However, this results in an increase in general fund expenditures, federal fund revenues, and federal fund expenditures compared to the provision as introduced because providers receive the full 4% rate increase under current law in fiscal 2021 rather than a reduced level.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Medicaid Provider Rates

Provision in BRFA as Introduced: Reduces, for fiscal 2021 only, the rate increase that the Governor must provide to certain Medicaid providers from 4.0% to 2.0%. The Governor's proposed fiscal 2021 budget includes a $15.1 million general fund reduction and a $19.2 million federal fund reduction, contingent on legislation reducing the required provider rate increase.

Provision as Recommended by DLS: Alters the timing of the provider rate increase, for fiscal 2021 only, so that the rate increase is effective January 1, 2021, rather than July 1, 2020, and provides a 4% increase rather than 2% as proposed in the bill as introduced.

Agency: Maryland Department of Health

Type of Action: Mandate Relief; Cost Control

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.		-$15.1	$0.0	$0.0	$0.0	$0.0
FF Exp.		-19.2	0.0	0.0	0.0	0.0
FF Rev.		-19.2	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	$0.0	$19.1	$19.8	$20.5	$21.3
FF Exp	0.0	0.0	20.2	20.9	21.7	22.6
FF Rev	0.0	0.0	20.2	20.9	21.7	22.6

Background/Recent History: Chapters 10 and 11 of 2019 required the Governor to provide rate increases for certain Medicaid providers from fiscal 2021 through 2026. The provision applied to nursing home services, medical day care services, private-duty nursing, personal care services, home- and community-based services, and services provided through the Community First Choice program. Under the Acts, the rates for the providers of these services are scheduled to increase by 4.0% annually from fiscal 2021 through 2026.

State Effect: General fund expenditures are reduced in fiscal 2021 by $15.1 million, the same level as the provision as introduced. Similarly, federal fund revenues decrease by $19.2 million in fiscal 2021, and federal fund expenditures decrease correspondingly. Out-year revenues and expenditures are not impacted by the provision. However, this results in an increase in general fund expenditures, federal fund revenues, and federal fund expenditures compared to the provision as introduced because providers receive the full 4% rate increase under current law in fiscal 2021 rather than a reduced level.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Modify Use of and Threshold for the CareFirst Premium Exemption

Provision in BRFA as Introduced: Alters the use of the CareFirst premium tax exemption beginning in fiscal 2021 by (1) making the distribution of $8.0 million to the Community Health Resource Commission (CHRC) a cap rather than a floor and (2) making the distribution of $14.0 million to the Senior Prescription Drug Assistance Program (SPDAP) a floor rather than a cap.

Provision as Recommended by DLS: Alters the use of the CareFirst premium tax exemption beginning in fiscal 2022 rather than fiscal 2021.

Agency: Maryland Department of Health

Type of Action: Changes to Use of Special Funds

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: None.

Background/Recent History: CHRC was created by the General Assembly in 2005 to expand access to health care services in underserved communities in Maryland by awarding grants to expand access and support public health priorities. SPDAP provides Medicare Part D premium assistance to moderate-income Maryland residents (incomes less than 300% of the federal poverty level) who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. Until the closure by the U.S. Congress of the coverage gap or "donut hole" in the Bipartisan Budget Act of 2018, SPDAP also provided coverage gap assistance.

State Effect: No direct impact, however, retaining the current funding methodology for fiscal 2021 facilitates a recommended restriction of $1.0 million of special funds from the CHRC fund to be used only to support local health improvement coalitions and reduce general fund expenditures for these entities by the same amount.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Seed Community Development Anchor Institution Program

Provision in BRFA as Introduced: Repeals the requirement that the Governor provide $10 million of funding for the Seed Community Development Anchor Institution Program in fiscal 2021 and each fiscal year thereafter and authorizes the Governor, beginning in fiscal 2021, to include $5.0 million annually on a discretionary basis. The Governor's proposed fiscal 2021 budget includes a $5.0 million general fund reduction, contingent on legislation altering the mandate.

Provision as Recommended by DLS: Rejects the repeal of the requirement that the Governor annually provide $10.0 million for the Seed Community Development Anchor Institution Program but reduces the required funding level to $5.0 million for fiscal 2021 only.

Agency: Department of Housing and Community Development

Type of Action: Mandate relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2025
Bond/GF PAYGO Exp.	$0.0	-$5.0	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2025
Bond/GF PAYGO Exp.	$0.0	$0.0	$5.0	$5.0	$5.0	$5.0

Background/Recent History: Chapter 31 of 2016 established the Seed Community Development Anchor Institution Fund and required the Governor to provide $5.0 million to the fund from fiscal 2018 through 2022. The purpose of the fund is to provide grants and loans to "anchor institutions" such as hospitals or institutions of higher education for community development projects in blighted areas of the State.

The Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) reduced funding by $5.0 million in general funds in fiscal 2018 and altered the funding requirement to allow the Governor to meet the mandate through the operating and/or the capital budget. The BRFA of 2018 (Chapter 10) reduced funding from $5.0 million to $4.0 million for fiscal 2019 only. Chapter 25 of 2019 increased, from $5.0 million to $10.0 million, the amount of funding that the Governor must provide annually beginning in fiscal 2021 and made the requirement permanent.

State Effect: The fiscal 2021 budget includes $5.0 million in general funds for the program but includes a contingent reduction of that amount based on reducing the mandated funding level. In addition, the Maryland Consolidated Capital Bond Loan of 2020 provides $5.0 million of general obligation (GO) bonds for the program. Depending on whether the $5.0 million mandated funding would be provided through general funds or GO bonds in fiscal 2021, this provision would reduce either general fund expenditures or GO bonds for the program by $5.0 million. If GO bonds for the program are reduced, there is no net impact on State spending as the bond funds would be redirected to other projects. Compared to current law, the provision as recommended has no impact on out-year spending.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Reduce Mandate for the Maryland Health Benefit Exchange

Provision in BRFA as Introduced: Reduces the required appropriation from the premium tax on health insurers to the Maryland Health Benefit Exchange (MHBE) from $35.0 million to $32.0 million annually beginning in fiscal 2021. The Governor's proposed fiscal 2021 budget includes a $3.0 million special fund reduction, contingent on legislation reducing the mandate.

Provision as Recommended by DLS: Further reduces the mandated appropriation from the premium tax on health insurers to MHBE to $31.0 million annually beginning in fiscal 2021.

Agency: MHBE

Type of Action: Mandate Relief; Revenue Action

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Rev.	$0.0	$4.0	$4.0	$4.0	$4.0	$4.0
SF Rev.	0.0	-4.0	-4.0	-4.0	-4.0	-4.0
FF Rev.	0.0	Decrease	Decrease	Decrease	Decrease	Decrease
SF Exp.	0.0	-4.0	-4.0	-4.0	-4.0	-4.0
FF Exp.	0.0	Decrease	Decrease	Decrease	Decrease	Decrease

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Rev.	$0.0	$0.0	$1.0	$1.0	$1.0	$1.0
SF Rev.	0.0	0.0	-1.0	-1.0	-1.0	-1.0
FF Rev.	0.0	Decrease	Decrease	Decrease	Decrease	Decrease
SF Exp.	0.0	0.0	-1.0	-1.0	-1.0	-1.0
FF Exp.	0.0	Decrease	Decrease	Decrease	Decrease	Decrease

Background/Recent History: Chapters 1 and 2 of 2011 created MHBE in response to the federal Patient Protection and Affordable Care Act of 2010. Chapter 159 of 2013 (Maryland Health Progress Act) established a distribution from the premium tax on health insurers as funding for the MHBE Fund and mandated a minimum level of appropriations beginning in fiscal 2015. In fiscal 2015, the mandated appropriation was no less than $10.0 million. Beginning in fiscal 2016, the mandated appropriation was $35.0 million. In recent years, MHBE has not spent all of the mandated appropriation. MHBE's expenditure from the MHBE Fund in fiscal 2018 was

$28.3 million and in fiscal 2019 was $28.8 million. Unlike most special funds, any unspent funds revert to the general fund at the end of the fiscal year.

State Effect: General fund revenues increase by $1.0 million compared to the Governor's Budget Reconciliation and Financing Act proposal beginning in fiscal 2022 as a result of the lower mandated level. Special fund revenue and expenditures decrease correspondingly.

Although altering the mandate for fiscal 2021 has no direct effect on general fund revenue or State spending, the Department of Legislative Services has recommended $1.16 million in reductions to MHBE's fiscal 2021 allowance consistent with the recommendation.

Local Effect: None.

Subcommittee Assignments: HHS/HSS 15-DLS Alt

Proposed Amendment to SB 192/HB 152 as Introduced

Permanently Reduce the Maximum Film Production Activity Tax Credit

Provision in BRFA as Introduced: Decreases, for fiscal 2021 only, the maximum amount of film production activity tax credits that the Secretary of Commerce may award from $14.0 million to $10.0 million.

Provision as Recommended by DLS: Decreases permanently beginning in fiscal 2021 the annual maximum tax credit amount for the film production activity tax credit to $10 million.

Agency: Department of Commerce (Commerce)

Type of Action: Cost Control; Revenue Action

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Rev.	$0.0	$4.0	$7.0	$10.0	$10.0	$10.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Rev.	$0.0	$0.0	$7.0	$10.0	$10.0	$10.0

Background/Recent History: A qualified film production entity that meets specified requirements and is approved by Commerce may receive a tax credit equal to 25% of qualified film production costs incurred in the State, or 27% of costs for a television series, with a maximum tax credit amount per project of $10.0 million. Commerce is required to reserve 10% of all tax credits in each fiscal year for small film entities. Chapter 595 of 2018 established maximum amounts of film production activity tax credits that the Secretary of Commerce may award in each fiscal year beginning with fiscal 2019: (1) $8.0 million in fiscal 2019; (2) $11.0 million in fiscal 2020; (3) $14.0 million in fiscal 2021; (4) $17.0 million in fiscal 2022; and (5) $20.0 million annually in fiscal 2023 and thereafter.

State Effect: General fund revenues increase by up to $7.0 million in fiscal 2022 and $10.0 million each year thereafter due to fewer allowed credits claimed against the income tax. General fund revenues are not affected in fiscal 2021 compared to the Budget Reconciliation and Financing Act as introduced.

Local Effect: None.

Subcommittee Assignments: EBA/EED 21 – DLS Alt

Proposed Amendment to SB 192/HB 152 as Introduced

Medicaid Deficit Assessment

Provision in BRFA as Introduced: Alters the required fiscal 2021 reduction in the level of funding from the Medicaid Deficit Assessment in the Medicaid program from $25.0 million to $15.0 million. Accordingly, the required Medicaid Deficit Assessment for fiscal 2021 is increased from $284,825,000 to $294,825,000. Increases the required reduction in the level of funding from the Medicaid Deficit Assessment in fiscal 2022 from $25.0 million to $35.0 million to provide the same total level of reduction between the two years ($50.0 million). The Governor's proposed fiscal 2021 budget includes a reduction of $10.0 million in general funds.

Provision as Recommended by DLS: Alters the required fiscal 2021 Medicaid Deficit Assessment to increase the level of the assessment by $15.0 million from the level proposed in the bill as introduced to provide for an assessment at the fiscal 2020 level ($309,825,000) and eliminate future reductions in the level of the Medicaid Deficit Assessment.

Agency: Maryland Department of Health

Type of Action: Mandate relief; Cost Control

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Rev.		$25.0	$50.0	$75.0	$100.0	$125.0
GF Exp.		-25.0	-50.0	-75.0	-100.0	-125.0
SF Exp.		25.0	50.0	75.0	100.0	125.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Rev.		$15.0	$50.0	$75.0	$100.0	$125.0
GF Exp.		-15.0	-50.0	-75.0	-100.0	-125.0
SF Exp.		15.0	50.0	75.0	100.0	125.0

Background/Recent History: During the most recent recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals.

The Budget Reconciliation and Financing Act (BRFA) of 2014 (Chapter 464) required the Health Services Cost Review Commission (HSCRC) to calculate the general fund savings to

Medicaid resulting from implementation of the all-payer model contract. Any savings were to be used to reduce the assessment. The BRFA of 2015 (Chapter 489) delayed the reduction in the assessment based on the methodology developed by HSCRC by one year and also replaced the savings methodology with a simple reduction of $25.0 million over the prior year appropriation. The fiscal 2017 budget was the first to contain a reduction in the assessment from $389.8 million to $364.8 million. The BRFA of 2017 (Chapter 23) included a one-year delay in the assessment reduction but amended the reduction required in fiscal 2019 and 2020 to be $35.0 million in each year and specified the deficit assessment level. The BRFA of 2018 (Chapter 10) decreased the reduction in fiscal 2019 to $30.0 million and required a $40.0 million reduction in fiscal 2020. The BRFA of 2019 (Chapter 16) decreased the reduction in fiscal 2020 by $15.0 million to $309,825,000 but retained the out-year reduction of $25.0 million.

State Effect: General fund expenditures decrease by $25.0 million in fiscal 2021 due to the increase in the Medicaid Deficit Assessment. Special fund revenues and expenditures decrease correspondingly. Out-year general fund expenditures decrease by an additional $25 million each year due to the reduction that would have otherwise occurred. Out-year special fund revenues and expenditures increase correspondingly. In fiscal 2021 only, the general fund expenditure decrease and special fund revenues and expenditures increase is $15.0 million more than originally proposed. Beginning in fiscal 2022, the out-year revenue and expenditure changes are at the same level as compared to current law.

Local Effect: None.

Proposed Amendment to SB 192/HB 152 as Introduced

Redirect Fund Balance Transfer from Maryland Board of Physicians

Provision in BRFA as Introduced: Authorizes the transfer of $199,517 in fund balance from the Board of Physicians Fund in the Maryland Department of Health (MDH) to the Office of the Secretary in MDH to repay general funds expended by MDH for the Maryland Loan Assistance Repayment Program (MLARP) for Physicians and Physician Assistants.

Provision as Recommended by DLS: Authorizes the transfer to Medicaid rather than the Office of the Secretary in MDH to support the expansion of the Primary Care Model to the Chronic Health Home program. A $0.2 million general fund reduction is proposed contingent on inclusion of this item in the Budget Reconciliation and Financing Act.

Agency: MDH

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	-$0.2	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	0.2	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	-$0.2	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	0.2	0.0	0.0	0.0	0.0

Background/Recent History: MDH advised that the transfer to the Office of the Secretary was meant to repay general funds expended by MDH for the MLARP in fiscal 2019. However, there is no outstanding receivable in MDH related to this repayment, so effectively, this simply provides for additional spending in the Office of the Secretary in fiscal 2021. However, there is no appropriation to support the expenditure of these funds in the Office of the Secretary.

State Effect: General fund expenditures in Medicaid decrease by $199,517 due to the use of the transferred special funds to support the expansion of the Primary Care Model to the Chronic Health Home program. Special fund expenditures increase correspondingly. This action does not impact revenues or expenditures in the Office of the Secretary because these funds were not appropriated in the fiscal 2021 budget.

Subcommittee Assignments: HHS/HSS 28- DLS Alt

Proposed Amendment to SB 192/HB 152

Uninsured Employers' Fund Use of Balance

Provision as Recommended by DLS: Prohibits, beginning in fiscal 2021, the Uninsured Employers' Fund (UEF) from expending any money for administrative expenses from the fund without an appropriation.

Agency: UEF

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: None, however, the special fund expenditures of UEF increase compared to current practice, and nonbudgeted fund expenditures decrease correspondingly.

Background/Recent History: UEF protects workers whose employers are not insured under the Maryland Workers' Compensation Law. The cost to administer the fund and provide benefits to claimants is wholly specially funded. The special funds are derived from a 2% assessment on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements. UEF also collects penalties from sanctions on uninsured employers and recovers benefits paid out for uninsured claims.

The 2019 *Joint Chairmen's Report* included committee narrative requesting that UEF discontinue its practice of not budgeting the funds that it uses to pay CorVel, its third-party administrator. The contract was awarded in June 2019, and no funds are included in the fiscal 2021 budget for this purpose. Similarly, no budget amendment has been submitted to increase the fiscal 2020 appropriation to account for this contract.

State Effect: Budgeted special fund expenditures from UEF increase by $3.2 million in fiscal 2021 based on the costs in that year for the approved contract. Nonbudgeted fund expenditures decrease correspondingly. Out-year special fund expenditures increase, and nonbudgeted fund expenditures decrease based on the contract costs.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Transfer of Role of Fiscal Agent of Children's Cabinet Interagency Fund to Governor's Office of Crime Prevention, Youth, and Victim Services

Provision as Recommended by DLS: Amends Section 8-508 of the Human Services Article and Section 8-417 of the Education Article to transfer the role of fiscal agent of the Children's Cabinet Interagency Fund (CCIF) and its associated appropriation from the Maryland State Department of Education (MSDE) to the Governor's Office of Crime Prevention, Youth, and Victim Services (GOCPYVS).

Agency: MSDE; GOCPYVS

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: None.

Background/Recent History: The CCIF operates in accordance with Section 8-501 through 8-506 of the Human Services Article to support child and family programs reflective of the priorities of the Governor and Children's Cabinet. The Children's Cabinet sets priorities to which local management boards must adhere, or request a waiver, when requesting funding. The CCIF is currently budgeted within MSDE, which acts as the fiscal agent of the fund. In contrast, the GOCPYVS' Children and Youth Division (CYD) staffs the Children's Cabinet, who oversees the allocation of the CCIF. CYD is responsible for developing the notification of funding availability documents for CCIF grants and reviews, approves, and monitors grant allocations from this fund.

State Effect: None.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Repeal a Mandated Grant in the Violence Intervention and Prevention Program

Provision as Recommended by DLS: Repeals the fiscal 2020 through 2023 funding mandate for the Child and Parent Resource Group, Inc. within the Violence Intervention Prevention Program (VIPP) and deletes the fiscal 2020 general fund appropriation for the grant. This action minimizes the State's work with a nonprofit program that is currently under review by the Office of the Attorney General.

Agency: Governor's Office of Crime Prevention, Youth, and Victim Services

Type of Action: Mandate Relief; Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$0.16	-$0.25	-$0.25	-$0.25	$0.00	$0.00

Background/Recent History: Chapter 148 of 2018 established the Maryland Violence Intervention and Prevention Program Fund to support violence reduction in Baltimore City through several evidence-based health programs. The chapter also established mandated funding for grants to certain organizations, including a $250,000 grant to the Child and Parent Resource Group, Inc. from fiscal 2020 through 2023. An audit by the Office of Legislative Audits raised concerns regarding the propriety of a nonprofit organization receiving grant funds through the Opioid Operational Command Center, which also receives funding through a statutory mandate establishing VIPP grants. To date, this organization has received $93,500 of its fiscal 2020 appropriation. The fiscal 2021 allowance for VIPP is $1.9 million.

State Effect: General fund expenditures decrease by $156,500 in fiscal 2020 and $250,000 in each year from fiscal 2021 through 2023 for VIPP due to the repeal of one mandated grant.

Local Effect: No direct impact. Nonprofit VIPP programming in Baltimore City will decline slightly with reduction in grant funding.

Proposed Amendment to SB 192/HB 152

Clarify Distribution of Electronic Bingo and Electronic Tip Jar Revenue to Calvert County

Provision as Recommended by DLS: Prohibits the direct distribution of revenue from the State admission and amusement tax on electronic bingo and electronic tip jars in Calvert County to the specified recipients in Section 2-202(b) of the Tax-General Article by the Comptroller of Maryland to ensure that these distributions occur through an appropriation.

Agency: Comptroller of Maryland; Payments to Civil Divisions of the State

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: None.

Background/Recent History: Section 2-202(b) of the Tax-General Article requires a portion of the State admissions and amusement tax on electronic bingo and electronic tip jars in Calvert County to be distributed to the towns of North Beach and Chesapeake Beach, the Calvert County Youth Recreational Opportunities Fund, and the Boys and Girls Club of the Town of North Beach. In fiscal 2021, these grants total $1.22 million in special funds.

Prior to fiscal 2018, these funds were unbudgeted and distributed directly via revenue transfer by the Comptroller without an appropriation. Beginning in fiscal 2018, the funds were budgeted in Payments to Civil Divisions of the State. The budgeting of these payments reflects guidance from the Office of the Attorney General that distribution of State funds should occur through an appropriation. Despite the appropriation, the Comptroller continues to perform a revenue transfer of the funds, rather than allowing the funds to be distributed through the appropriation. As a result, at year-end closeout, the fiscal 2019 appropriation of $1.2 million appeared as unencumbered, even though the funds have been provided to the statutory recipients.

State Effect: None. The distributions required under Section 2-202(b) of the Tax-General Article are included in the budget for the Payments to Civil Divisions of the State.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Prohibit the Restoration of Spending Reduced by the General Assembly

Provision as Recommended by DLS: Prohibits, by the budget amendment procedure or otherwise, the restoration of any item specifically reduced by the General Assembly, for the same purpose as originally proposed except in an emergency.

Agency: Department of Budget and Management

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: No impact.

Background/Recent History: Annual budget bill language detailing the budget amendment process prohibits a budget amendment from restoring special, federal, or higher education fund appropriations for items or purposes specifically denied by the General Assembly. This language only applies to amendments over $100,000 and does not prohibit the restoration of funds reduced by the General Assembly using other fund sources, including funding from the Contingency Fund.

Section 3-216 of the Transportation Article states that an appropriation proposed for transportation activities or functions that has been reduced by the General Assembly may not be restored, by the budget amendment procedure or otherwise, for the same purpose as originally proposed except in an emergency. The section also prohibits the restoration of funding for a major transportation capital project that the General Assembly struck or reduced unless the language striking or reducing the appropriation expressly authorized the restoration of funds.

State Effect: None.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Fiscal 2020 SmartWork Program Underspending

Provision as Recommended by DLS: Reduces the fiscal 2020 general fund appropriation for the SmartWork Program by $1.5 million.

Agency: Department of Budget and Management

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$1.5	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The SmartWork Program was created in Executive Order 01.01.2018.17 to improve recruitment and retention in high vacancy jobs. Under this program, State employees who work in specified shortage areas are afforded the opportunity to receive repayment of student loans for themselves or a child up to $20,000, if the employee agrees to work for the State for 10 years. Payouts are provided in five increments at specified periods of employment – the first increment is 1 year, at which point an employee could receive the maximum amount of student loan payments made (up to $2,000). The program applies only to service after January 1, 2019, for new or existing employees.

In fiscal 2020, the program received a general fund appropriation of $2 million. To date, 318 employees applied for the reimbursement of which 272 have been approved. Of the approved calendar 2019 applications, 77 requests for repayment have been received and approved by the Department of Budget and Management. The first payments are scheduled to be sent in February 2020. The average payment request for the approved applicants is $1,862.34, meaning only $143,400 is committed from this program's fiscal 2020 working appropriation. If all 195 outstanding applicants provide proof, and the current average payment is accurate, the maximum commitment would be approximately $500,000. As a result, $1.5 million of the appropriation is not required.

State Effect: General fund expenditures decrease by $1.5 million in fiscal 2020.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for Dairy Margin Coverage Program

Provision as Recommended by DLS: Reduces the fiscal 2020 appropriation for premium subsidy payments for the federal Dairy Margin Coverage Program in the Maryland Department of Agriculture's (MDA) Marketing and Agriculture Development program.

Agency: MDA

Type of Action: Cost containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$0.2	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: Supplemental Budget No. 1 to the fiscal 2020 operating budget included a $1.5 million general fund appropriation in the MDA Marketing and Agriculture Development program to fund premium subsidy payments for the federal Dairy Margin Coverage Program. This funding was intended to subsidize dairy farmer participation in the program given rising feed costs and declining milk prices.

The funding for the federal Dairy Margin Coverage Program subsidy is not expected to be fully utilized. The calendar 2019 subsidy retroactively provided to dairy farmers is $687,362, and the calendar 2020 subsidy is $586,385. As a result, only $1,273,747 of the $1.5 million general fund appropriation will be used in fiscal 2020, leaving $226,253 in unused appropriations. This provision reduces the funding for the unused portion of the subsidy payment by $216,253 leaving $10,000 for any remaining subsidy payments.

State Effect: General fund expenditures of MDA decrease by $216,253 in fiscal 2020.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Fund Maryland Primary Care Program with Fund Balance from the Maryland Board of Physicians

Provision as Recommended by DLS: Authorizes a transfer of $1.0 million from the Maryland Board of Physicians Fund balance in both fiscal 2021 and 2022 to support the Maryland Primary Care Program. A general fund reduction of $1.0 million is recommended contingent upon inclusion of this provision in the Budget Reconciliation and Financing Act.

Agency: Maryland Department of Health

Type of Action: Fund Swap

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	-$1.0	-$1.0	$0.0	$0.0	$0.0
SF Exp.	0.0	1.0	1.0	0.0	0.0	0.0

Background/Recent History: The Maryland Board of Physicians has a fund balance of over $6 million, well in excess of levels needed to account for uncertainties in expenditures.

The Maryland Primary Care Program aims to integrate behavioral health, improve patient access, provide care management, and improve other health outcomes for Medicare beneficiaries and reduce hospital utilization through this coordination. Practices must apply to participate and agree to provide certain functions including care management. The fiscal 2021 budget includes a proposed general fund deficiency appropriation of $1 million for the program and $1 million in general funds in fiscal 2021 for the program in the Maryland Department of Health Public Health Administration (PHA).

State Effect: General fund expenditures decrease by $1 million in each fiscal 2021 and 2022 due to replacing the budgeted general funds with special funds from the Maryland Board of Physicians. Special fund expenditures in PHA for the program increase correspondingly.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Use Board of Pharmacy Fund Balance for Medicaid Pharmacy Access

Provision as Recommended by DLS: Authorizes a transfer of $750,000 from the State Board of Pharmacy Fund balance in both fiscal 2021 and 2022 to Medicaid to provide support for access to small, rural pharmacies. A general fund reduction of $750,000 is recommended contingent upon inclusion of this provision in the Budget Reconciliation and Financing Act.

Agency: Maryland Department of Health

Type of Action: Fund Swap

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	-$0.75	-$0.75	$0.0	$0.0	$0.0
SF Exp.	0.0	0.75	0.75	0.0	0.0	0.0

Background/Recent History: The Maryland State Board of Pharmacy has a fund balance of over $3 million, well in excess of levels needed to account for uncertainties in expenditures.

The fiscal 2021 budget includes $3 million ($1.5 million in general funds and $1.5 million in federal funds) to support access to small, rural pharmacies in the Maryland Department of Health Medicaid program. Under this program, an additional fee will be provided for every prescription dispensed by small pharmacies in less populated areas to HealthChoice participants. Small pharmacies are defined as having three stores or less.

State Effect: General fund expenditures decrease by $750,000 in each fiscal 2021 and 2022 due to the use of special funds from the Maryland State Board of Pharmacy fund balance. Special fund expenditures in Medicaid increase correspondingly.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for Developmental Disabilities Administration Community Services Program

Provision as Recommended by DLS: Reduces the fiscal 2020 general fund appropriation for the Maryland Department of Health (MDH) Developmental Disabilities Administration (DDA) by $4.1 million due to anticipated federal fund attainment through the Community Pathways Medicaid waiver program.

Agency: MDH

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$4.1	$0.0	$0.0	$0.0	$0.0	$0.0
FF Exp.	4.1	0.0	0.0	0.0	0.0	0.0
FF Rev.	4.1	0.0	0.0	0.0	0.0	0.0

Background/Recent History: Through three Medicaid waiver programs, DDA receives a 50% federal fund match from the Centers for Medicare and Medicaid Services for the vast majority of its expenditures under the Community Services Program. The fiscal 2020 appropriation for contracts under the DDA Community Services Program is currently budgeted with a federal fund participation (FFP) of 47.2%, which is lower than the fiscal 2019 actual FFP of 47.6%. Considering that the actual FFP has increased for this program in each of the past four fiscal years, this suggests that DDA will attain more federal funds than is currently budgeted in fiscal 2020.

State Effect: General fund expenditures in fiscal 2020 decrease by $4.1 million due to the anticipation of federal fund attainment at the average of the two most recent years' actual FFP rate. Federal fund revenues and expenditures increase correspondingly.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Budget to Account for Anticipated Savings in Administrative Services Organization Contract

Provision as Recommended by DLS: Reduces the fiscal 2020 general fund appropriation by $575,000 for the new Administrative Services Organization (ASO) contract in the Maryland Department of Health (MDH) Behavioral Health Administration based on provisions outlined in the Request for Proposal allowing for the imposition of liquidated damages.

Agency: MDH

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$0.29	$0.00	$0.00	$0.00	$0.00	$0.00
FF Exp.	0.29	0.00	0.00	0.00	0.00	0.00
FF Rev.	0.29	0.00	0.00	0.00	0.00	0.00

Background/Recent History: On July 24, 2019, the Board of Public Works approved a contract for an ASO to process and pay provider claims from January 1, 2020, through calendar 2024 with a two-year renewal option to extend the contract through calendar 2026. Shortly after the new ASO took over claims processing in January 2020, providers started to report substantial difficulties. As a result, MDH was required to have ASO estimate payments to providers rather than using actual claims and anticipates needing to do so until April 20, 2020. The contract outlines terms for liquated damages stating that, "If the Contractor does not meet the Go-Live date, the Contractor shall, in lieu of actual damages pay MDH as fixed, agreed, and liquated damages in the amount of $25,000 per calendar day for the Go-Live date until the Contractor becomes operational…". Through January 23, 2020, the estimate of liquidated damages totals $575,000.

State Effect: General fund expenditures decrease by $287,500 due to anticipated damages paid by the contractor. Federal fund revenues and expenditures decrease by the same amount due to the federal reimbursement for these expenses.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Distribution of Funding to the Rate Stabilization Fund

Provision as Recommended by DLS: Beginning in fiscal 2022, stops distribution of certain premium tax revenues to the Rate Stabilization Fund (RSF) and instead directs those revenues the General Fund.

Agency: Maryland Department of Health

Type of Action: Revenue Action; Changes to the Use of Special Funds

Fiscal Impact vs. Current Law: Beginning in fiscal 2022, general fund revenues increase and special fund revenues to the RSF decrease due to the reallocation of certain premium tax revenues. Special fund expenditures decrease, and general fund expenditures in Medicaid increase correspondingly.

Background/Recent History: The RSF is funded through a 2% premium tax on health maintenance organizations and managed care organizations. Originally imposed to subsidize medical malpractice premiums and support increased provider rates in Medicaid, the fund now solely supports the Medicaid program. Insurance-related premium tax revenues from different sources are collected by the Maryland Insurance Administration (MIA). In addition to funding certain administrative expenses at MIA, MIA distributes $35 million to the Maryland Health Benefit Exchange (MHBE) and allocates the collection of certain premium revenues to the RSF. Beginning in calendar 2019, MIA also provides to MHBE an additional provider assessment to support a reinsurance program. The remainder of premium tax revenue is deposited in the General Fund. Since fiscal 2017, there has been considerable variance between the RSF revenues anticipated in the Medicaid budget and actual revenues received. At the same time, general fund revenues from premium taxes have varied inversely to the changes in the RSF. This has made forecasting of the General Fund and RSF revenues unnecessarily problematic. The proposal maintains MIA's role to collect the revenues but removes the allocation to the RSF.

State Effect: Ending the allocation to the RSF beginning in fiscal 2022 neither increases nor decreases overall revenue to the State but increases the revenue provided to the General Fund by the amount that would have otherwise been provided to the RSF and decreases special fund revenues in Medicaid correspondingly. Beginning in fiscal 2022, special fund expenditures decrease, and general fund expenditures in Medicaid increase correspondingly because the special funds from the RSF are no longer available to support the program. The level of general fund revenue increase and corresponding general fund expenditure increase and special fund revenue and expenditure decrease in Medicaid cannot be determined, as it is based on the level of collections.

Local Effect: None.

Subcommittee Assignments: HHS/HSS 112 – DLS Additional

Proposed Amendment to SB 192/HB 152

Medicaid Value-based Purchasing Program

Provision as Recommended by DLS: Alters the distribution of payments collected under the value-based purchasing (VBP) program and specifies how any surplus funding collected under the program can be used including creating a reserve fund and requiring reinvestments into HealthChoice health improvement projects.

Agency: Maryland Department of Health (MDH)

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: Creating a reserve fund potentially decreases general fund expenditures in the out-years to the extent that the program would have required additional general funds to cover program payments.

Background/Recent History: VBP is a pay-for-performance effort with the goal of improving MCO performance by providing monetary incentives and disincentives up to 1% of each MCOs total capitated payments based on performance in certain health care measures identified by MDH. Under VBP, MCOs with scores exceeding the target receive an incentive payment, while MCOs with scores below the target must pay a penalty. There is also a midrange target for which an MCO receives no incentive payment but neither does it pay a penalty. The penalty payments are used to fund the incentive payments. If collected penalties exceed incentive payments, the surplus is distributed in the form of a bonus to the four highest performing MCOs using normalized scores and relative enrollment. In recent years, this secondary distribution has resulted in the perverse result that an MCO with more disincentives than incentives on VBP targets can still benefit as one of the "top four" performers. If collected penalties do not exceed incentive payments, general funds are required to meet obligations under the program.

State Effect: General fund expenditures are potentially reduced to the extent that the program would have required additional general funds to cover program payments in years in which the earned incentives are greater than the penalties collected due to the creation of a reserve fund through eliminating the secondary distribution.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Drinking Driver Monitor Program Fee Increase

Provision as Recommended by DLS: Increases the Drinking Driver Monitor Program (DDMP) fee from $55 to $75.

Agency: Department of Public Safety and Correctional Services

Type of Action: Revenue Action; Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	-$1.7	-$1.9	-$1.9	-$1.9	-$1.9
SF Rev.	0.0	1.9	1.9	1.9	1.9	1.9
SF Exp.	0.0	1.7	1.9	1.9	1.9	1.9

Background/Recent History: The DDMP fee is designed to support all operational costs of the DDMP. The DDMP fee was set at $55 in calendar 2010 and is assessed once per month per drinking driver participant. The current fee no longer provides sufficient revenue to cover program costs, requiring general fund expenditures to support the program.

State Effect: For fiscal 2021, based on budgeted expenditures in DDMP and the estimated available revenue, general fund expenditures in DDMP decrease by $1.7 million, and special fund expenditures increase correspondingly. Special fund revenues increase by $1.9 million, assuming the number of cases supervised remains at the same level through fiscal 2021. Out-year special fund revenue will vary based on the number of DDMP cases supervised, while special fund expenditures increase and general fund expenditures decrease by up to the amount of additional special fund revenue received from the higher fee.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for the Maryland State Department of Education Office of the Inspector General

Provision as Recommended by DLS: Reduces the fiscal 2020 appropriation of the Maryland State Department of Education (MSDE) Office of the Inspector General by $400,000.

Agency: MSDE

Type of Action: Cost containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$0.4	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: Chapter 771 of 2019 (The Blueprint for Maryland's Future) created an Office of the Inspector General in MSDE. The fiscal 2020 budget bill restricted $689,137 of the general fund appropriation and 6 positions for this purpose, contingent on the enactment of the legislation. However, the Inspector General position was not filled until the third week of February 2020, and none of the other positions have been filled. This reduction provides the office with $289,100 to pay the Inspector General and fund basic startup costs in the latter half of fiscal 2020.

State Effect: General fund savings totaling $400,000 in fiscal 2020.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Maryland 529 Save4College State Contribution Program

Provision as Recommended by DLS: Clarifies that the Maryland 529 Save4College State Contribution Program award allocation be limited to one match per beneficiary.

Agency: Maryland Higher Education Commission

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: General fund expenditures are potentially reduced to the extent that the clarification limits the total amount of matching awards made under the program.

Background/Recent History: Chapters 689 and 690 of 2016 established an annual State matching contribution of $250, per beneficiary, for new accounts in the Maryland College Investment Plan, which is administered by Maryland 529. Chapter 419 of 2018 increased the State matching contribution from $250 to $500 for specified 529 investment account holders, extended the eligible contribution period, and made additional related changes. The State match program has grown in each fiscal year of its existence, increasing from $472,250 in fiscal 2018, to $6,326,500 in fiscal 2019, to $10,067,500 in fiscal 2020. The fiscal 2020 level has been appropriated for the program for fiscal 2021.

The program allows an individual beneficiary to have multiple accounts established for a single individual. Maryland 529 has interpreted statute to allow a single beneficiary to receive multiple matching awards for each individual account opened for that beneficiary. This interpretation runs counter to legislative intent that intended to limit the match to one per beneficiary not one per account. In an extreme instance, one family opened 195 accounts for four children resulting in a total match of $97,500 being awarded instead of $2,000.

State Effect: General fund expenditures are potentially reduced to the extent that the clarification limits the total amount of matching awards made under the program.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for Workforce Development Initiatives in the University System of Maryland at Southern Maryland

Provision as Recommended by DLS: Reduces the fiscal 2020 general fund appropriation by $500,000 for the University System of Maryland Office (USMO) for Workforce Development Initiatives (WDI) at the University System of Maryland at Southern Maryland (USMSM).

Agency: USMO

Type of Action: Cost Containment

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$0.5	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The fiscal 2020 working appropriation includes $10.0 million to support WDIs at all University System of Maryland Institutions. USMO has provided funding totaling $0.9 million to USMSM to expand the existing undergraduate engineering program. USMSM provided $322,815 in direct support to the University of Maryland, College Park Campus Mechanical Engineering Program at USMSM through USMO. USMSM was unable to expend the full $0.9 million in WDI funding.

State Effect: General fund expenditures decrease by $500,000 in fiscal 2020.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for Maryland Community College Promise Scholarship Program

Provision as Recommended by DLS: Reduces the fiscal 2020 general fund appropriation for the Maryland Community College Promise Scholarship Program.

Agency: Maryland Higher Education Commission

Type of Action: Cost containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	($3.0)	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The Maryland Community College Promise Scholarship, created by Chapter 554 of 2018, provides tuition assistance for Maryland students attending a community college covering costs not met by any other student financial aid, excluding loans, also known as a last dollar scholarship. Recipients must complete a one-year service obligation for each year that a scholarship is received or it will convert into a loan. The scholarship became available to applicants beginning in the 2019-2020 academic year. Chapter 752 of 2019 altered eligibility requirements for the program and the service obligation.

Chapter 554 of 2018 mandated $15 million for the program. In fiscal 2020, the Maryland Community College Promise Scholarship Program was funded at the mandated level. However, the Governor's Budget Plan for fiscal 2021 includes a planned reversion of $8.0 million for the program due to the funding not being needed. Based on the number of awards and the dollar amount of the awards made in the 2019-2020 academic year, in fiscal 2020, only $4.0 million of the remaining $7.0 million general fund appropriation available to the program after accounting for the planned reversion will be needed.

State Effect: General fund expenditures decrease by $3.0 million in fiscal 2020 for the Maryland Promise Scholarship Program.

Local Effect: None.

Subcommittee Assignments: EBA/EED 118 – DLS Additional

Proposed Amendment to SB 192/HB 152

Preservation of Cultural Arts Transfer and Revenue

Provision as Recommended by DLS: Authorizes a transfer of $1.0 million from the Special Fund for Preservation of Cultural Arts (POCA) in fiscal 2021 to the General Fund and, beginning in fiscal 2022, alters the distribution of admissions and amusement (A&A) tax revenues to remove POCA from the distribution and provide this distribution to the General Fund.

Agency: Department of Commerce (Commerce)

Type of Action: Revenue Action; Fund Balance Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Rev.	$0.0	$1.0	$2.2	$2.2	$2.2	$2.2
SF Rev.	0.0	-1.0	-2.2	-2.2	-2.2	-2.2
SF Exp.	0.0	-1.0	-2.2	-2.2	-2.2	-2.2

Background/Recent History: The Special Fund for POCA in Maryland is a special, nonlapsing fund in the Department of Commerce that consists primarily of State A&A tax revenue from electronic bingo and tip jar machine proceeds. The fund is used to provide supplemental grants to cultural arts organizations that qualify for general operating support grants from the Maryland State Arts Council (MSAC). Due to the diversion of funds for cost containment and other budgetary purposes, the special fund has never been used for its intended purpose.

Chapter 145 of 2016 required that MSAC receive a portion of the funds from the A&A tax revenues on electronic bingo and electronic tip jars that would otherwise be distributed to POCA. The Budget Reconciliation and Financing Act of 2017 placed a sunset of fiscal 2021 on the diversion of A&A revenue to MSAC. For fiscal 2019 through 2021, the amount diverted is $1.0 million annually. The remainder is distributed to POCA. Under current law, after fiscal 2021, revenues attributable to a State A&A tax rate of 5% are distributed to POCA. In the last five years, 5% of these revenues have averaged $2.2 million annually.

State Effect: General fund revenues increase by $1.0 million in fiscal 2021 due to the transfer of funds from POCA. Special fund revenues and expenditures decrease correspondingly. Beginning in fiscal 2022, general fund revenues increase by an amount equal to 5% of A&A tax revenues. Special fund revenues and expenditures decrease accordingly.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Bay Restoration Fund Balance Transfer to the Maryland Department of Transportation

Provision as Recommended by DLS: Transfers $25 million of Bay Restoration Fund (BRF) balance to the Maryland Department of Transportation (MDOT). This action allows for a corresponding reduction in Transportation Trust Fund (TTF) special funds supporting the State's compliance with the Watershed Implementation Plan (WIP) for Chesapeake Bay restoration. The TTF special funds no longer needed for compliance with the WIP would then be used to fund an equivalent amount of the Washington Metropolitan Area Transit Authority (WMATA) contribution, resulting in a $25 million general fund reduction.

Agency: Maryland Department of the Environment; MDOT

Type of Action: Fund Swap; Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	$0.0	-$25.0	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	25.0	0.0	0.0	0.0	0.0

Background/Recent History: The BRF was created by Chapter 428 of 2004 to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients, such as phosphorus and nitrogen. This dedicated fund, financed in large part by wastewater treatment plant users, initially was used to provide grants to local governments to upgrade Maryland's 67 major wastewater treatment plants with enhanced nutrient removal (ENR) technology as part of Maryland's WIP for Chesapeake Bay restoration. Subsequent legislation has expanded the uses of the fund to include the funding of additional environmentally beneficial projects. The Water Quality Financing Administration is authorized to issue revenue bonds for the ENR upgrades; the debt service on those bonds is paid with future year fee revenues.

Budget reconciliation legislation has transferred funds from the BRF, both fund balance and revenue going into the fund in prior years included $155 million in fiscal 2010, $45 million in fiscal 2011, and $90 million in fiscal 2012. These transferred funds were fully replaced with general obligation bond authorizations.

Based on current project schedules, estimated annual revenues to the BRF, and statutory fund uses, the BRF balance is not projected to go below $30 million and will increase to as much as $81.6 million by fiscal 2030 when the current fee structure collected through water and sewer bills is reduced from $60 to $30 per year.

There is $125 million in general funds appropriated in the Dedicated Purpose Account in fiscal 2021 that will be transferred to the TTF. This funding will be used for MDOT to cover a portion of the mandated $167 million capital grant to WMATA.

State Effect: This action redirects $25 million of special fund balance to MDOT. Net special fund expenditures increase in fiscal 2021 as BRF expenditures increase by $25 million over planned spending levels. General fund expenditures are reduced by $25 million for WMATA due to the available TTF resulting from this action. The BRF is projected to have a sufficient balance to accommodate the transfer, and it is anticipated that there will be no special fund expenditure reduction for projects funded by the BRF.

Local Effect: None.

Subcommittee Assignments: B&T/APP 120 – DLS Additional

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for the Department of Public Safety and Correctional Services due to Vacancy Savings

Provision as Recommended by DLS: Reduces the fiscal 2020 general fund appropriation for personnel in the Department of Public Safety and Correctional Services (DPSCS) by $18 million.

Agency: DPSCS

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Exp.	-$18.0	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: DPSCS has struggled to maintain a full position complement since fiscal 2015. In January 2020, vacancies numbered 2,179, or 21.5%. The DPSCS personnel complement in fiscal 2020 is overfunded by approximately 435 positions. In past years, DPSCS has used large vacancy savings to support other initiatives, such as facility renovations, information technology equipment, emergency needs, and overtime costs. The practice of allocating more personnel funds than needed and transferring the excess to priority areas via budget amendment impedes public accountability and budget committee oversight. Based on payroll and vacancy data, in fiscal 2020, an estimated $25 million to $32 million will not be spent on personnel due to high attrition and low hiring. In fiscal 2020, personnel funds totaling $7 million that were restricted for the purpose of providing a correctional officer salary increase are assumed to be reverted to the General Fund at the end of the fiscal year.

The Budget Reconciliation and Financing Act of 2019 reduced the personnel appropriation for DPSCS by $7.5 million for cost containment based on vacancy data. A fiscal 2019 closeout amendment realigned an additional $15 million in excess personnel savings to other areas of the spending.

State Effect: General fund expenditures in DPSCS decrease by $18 million in fiscal 2020.

Local Effect: None.

Proposed Amendment to SB 192/HB 152

Reduce Fiscal 2020 Appropriation for the Concentration of Poverty Grant

Provision as Recommended by DLS: Reduces the fiscal 2020 special fund appropriation from The Blueprint for Maryland's Future Fund for the Concentration of Poverty Grant by $6,220,825.

Agency: Maryland State Department of Education

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Exp.	-$6.2	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The Blueprint for Maryland's Future Fund may only be used to assist in providing adequate funding for early childhood education and primary and secondary education based on the recommendations of the Commission on Innovation and Excellence in Education (Kirwan Commission), including revised education funding formulas. The fund consists of remaining income tax funds in the Kirwan Commission, any sales and use tax revenues in excess of $100 million each year collected by the Comptroller from marketplace facilitators and certain out-of-state vendors, and any fiscal 2021 filing fees from corporations and business entities in excess of $62.25 million. The fund is expected to collect $103.0 million in new revenue in fiscal 2021.

Chapter 771 of 2019 (The Blueprint for Maryland's Future) established the Concentration of Poverty School Grant Program to provide grants to public schools in which at least 80% of the students were eligible for both free and reduced-price meals. Each school receiving funds must employ one community school coordinator and provide full-time coverage by at least one health care practitioner. Funds to the schools not needed for this purpose may only be used for wraparound services. For both fiscal 2020 and 2021, the State is required to distribute a grant to each local school board equal to $248,833 for each existing eligible school, which must then be distributed by the local board to each eligible school. Fiscal 2020 grants are to be based on the number of qualifying schools in the 2017-2018 school year. Fiscal 2021 grants go to the same schools still in existence during the 2018-2019 school year plus any school that becomes newly eligible during the 2018-2019 school year.

A recent survey of local education agencies (LEA) indicated that LEAs reported fewer schools receiving Concentration of Poverty School Grants than the number that was initially anticipated in the budget. This revised count reflects a number of schools that were initially found to be eligible for a grant that were programs within schools, rather than separate schools, or where the school had subsequently closed.

State Effect: Special fund expenditures from The Blueprint for Maryland's Future Fund decrease by $6,220,825 in fiscal 2020.

Local Effect: Although these grants are provided to local boards for grants to eligible schools, there is no impact as these funds are not needed to provide grants to eligible schools.

Proposed Amendment to SB 192/HB 152

Circuit Court Real Property Records Improvement Fund – Surcharge

Provision as Recommended by DLS: Extends the $40 surcharge on recordable instruments permanently, rather than ending in fiscal 2020, which gets deposited in the Circuit Court's Real Property Records Improvement Fund.

Agency: Judiciary

Type of Action: Revenue Action; Cost Containment

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Rev.	$0.0	$14.6	$14.6	$14.6	$14.6	$14.6
GF Exp.	0.0	0.0	-14.6	-14.6	-14.6	-14.6
SF Exp.	0.0	0.0	14.6	14.6	14.6	14.6

Background/Recent History: The Clerk of the Circuit Court in each jurisdiction imposes a surcharge on each recordable instrument that is recorded among the jurisdiction's land records or financing statement records. A "recordable instrument" includes any deed, grant, mortgage, deed of trust, lease, assignment, and release that pertains to any interest in property or land. The surcharges are deposited in the Circuit Court Real Property Records Improvement Fund, which is managed by the State Court Administrator with advice from a five-member oversight committee. Chapter 327 of 1991 created the Circuit Court Real Property Records Improvement Fund to support all personnel and operating costs within the land records offices of the Clerk of the Circuit Court.

In response to concerns regarding the sustainability of the fund, Chapter 397 of 2011 (the Budget and Reconciliation Financing Act) increased the surcharge on all recordable instruments from $20 to $40 for fiscal 2012 through 2015. Chapter 487 of 2015 continued the $40 surcharge through July 1, 2020; the surcharge reverts to $20 on July 1, 2020. This action will retain the surcharge at $40.

Special fund revenues from the filing fee surcharge in fiscal 2020, the last year for which the $40 surcharge is authorized, are estimated at $29,282,641. According to the Judiciary, revenues from the surcharge are projected to total $14,641,321 in fiscal 2021 if the provisions authorizing the increase in the surcharge terminate pursuant to current law. Based on current revenue and operating expense forecasts, the Circuit Court Property Records Improvement Fund would be depleted in fiscal 2022.

State Effect: If the number of cases for which the surcharge is imposed remains constant, special fund revenues increase by $14,641,321 annually, which reflects continuation of the $40 surcharge.

General fund expenditures decrease, beginning in fiscal 2022, by the amount of additional revenue available from the higher surcharge because the fund would have otherwise been depleted. Special fund expenditures increase correspondingly.

Local Effect: None.