
**Budget Reconciliation and Financing Act
of 2009
(HB 101/SB 166)**

**Budget Summary, Provisions, and
Recommendations**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

March 2009

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**Administration Budget Plan Is Contingent on Budget
Reconciliation and Financing Act (SB 166/HB 101) Actions
FY 2009 and 2010
(\$ in Millions)**

	<u>Administration</u>	<u>Before</u>
	<u>Budget Plan</u>	<u>BRFA Action</u>
<u>FY 2009</u>		
Ending Balance	-\$336.0	-\$336.0
Fund Transfers – BRFA (SB 166/HB 101)	606.2	0.0
Expenditure Reductions – Board of Public Works	153.9	153.9
Adjusted Ending Balance	\$424.1	-\$182.1
<u>FY 2010</u>		
Revenues – BRE Estimate	13,738.3	13,738.3
Other Revenues	27.8	27.8
Revenues – BRFA (SB 166/HB 101)	24.1	0.0
Fund Transfers – BRFA (SB 166/HB 101)	15.6	0.0
Transfer from Rainy Day Fund	210.0	210.0
Total Revenues and Balance	\$14,439.9	\$13,794.0
Expenditures – Governor’s Allowance	\$14,677.7	\$14,677.7
Appropriation to Rainy Day Fund	175.7	175.7
Expenditure Reductions – Legislation*	-449.3	0.0
Expenditure Reductions	-10.2	0.0
Total Expenditures	\$14,393.9	\$14,853.5
 Revenues Less Expenditures	 45.9	 -1,059.4
Ending Balance	\$45.9	-\$1,059.4

*Includes \$35 million in reductions contingent on other legislation. The remaining \$414.3 million is contingent on the Budget Reconciliation and Financing Act – SB 166/HB 101 (BRFA).

Budget Reconciliation and Financing Act of 2009 (HB 101/SB 166)

Mandate Relief

Education

- Alters calculation of Supplemental Grants to include 100% of the Geographic Cost of Education Index and retirement payments and guarantees same level of funding as prior year; contingent reduction of \$43.3 million (for more detail, see Fiscal and Policy Note (FPN) page 50)
- Alters eligibility and bonus amounts for Quality Teacher Incentive program; contingent reduction of \$5.3 million (FPN page 52)
- Eliminates payment from the Maryland Stadium Authority for school construction; contingent reduction of \$2.4 million (FPN page 53)
- Reduces State share of special education nonpublic placement funding from 80 to 50% of costs above base local share; contingent reduction of \$48.3 million (FPN page 48)
 - Reduce State share of special education nonpublic placement funding from 80 to 70% of costs above base local share (for more detail, see Alternative and Additional Recommendations, Department of Legislative Services (DLS) page 7)
- County Library Aid – sets per capita funding at \$13.50 for fiscal 2010 and 2011, \$15.00 for 2012, and \$16.00 for 2013; contingent reduction of \$3.6 million (FPN page 56)
- State Library Resource Center – sets per capita funding at \$1.67 for fiscal 2010 and 2011 and \$1.85 in 2012; contingent reduction of \$1.0 million (FPN page 57)
- Regional Libraries – sets per capita funding at \$6.75 for fiscal 2010 and 2011, \$7.50 in 2012, and \$8.50 in 2013; contingent reduction of \$0.7 million (FPN page 57)

- Maryland School for the Deaf – alters formula for fiscal 2010 to eliminate Other Post Employment Benefits contribution and employee increments; contingent reduction of \$1.3 million (FPN page 54)
 - Maryland School for the Deaf – strike provision and maintain full formula funding (DLS page 32)
- Aging Schools Program – sets general fund appropriation at \$0 for 2010 and \$6.1 million for 2011; inflationary increases begin again in fiscal 2012; contingent reduction of \$11.7 million (FPN page 51)
 - Aging Schools Program – concur with fiscal 2010 and 2011 funding levels; list in statute the grants by jurisdiction for fiscal 2011; inflationary increases begin again in fiscal 2012 (DLS page 33)

Higher Education

- Cade Formula for Community Colleges – sets at \$194.5 million for 2010; alters enhancement phase-in to reach 30% of public university per-student funding in 2015, beginning with 20.9% in 2011; contingent reduction of \$49.9 million (FPN page 43)
 - Cade Formula – provide funds equivalent to a 4% tuition freeze (\$15.1 million over BRFA level); establish formula percentages to reach 29% in fiscal 2015; configure formula calculation to use current year public four-year support (DLS page 9)
- Baltimore City Community College – sets at \$42.0 million for 2010; alters enhancement phase-in to reach 71% of public university per-student funding in 2015, beginning with 63% in 2011; contingent reduction of \$2.4 million (FPN page 46)
 - Baltimore City Community College – concur with fiscal 2010 funding level; establish formula percentages to reach 68.5% in fiscal 2015; configure formula calculation to use current year public four-year support (DLS page 12)
- Sellinger Aid to Private Colleges and Universities – sets at \$50.4 million for 2010; phases in return to 16% of public university per-student funding in 2015, beginning with 11.7% in 2011; contingent reduction of \$15.6 million (FPN page 45)

- Sellinger Aid – concur with fiscal 2010 funding level; establish fiscal 2011 formula at 11.8% to level fund; maintain this percentage permanently; configure formula calculation to use current year public four-year support (DLS page 14)
- Private Donation Incentive Program – defers required fiscal 2010 payment to 2011; contingent reduction of \$265,000 (FPN page 47)

Environment

- Waterway Improvement Fund – permanently eliminates general fund contribution to Waterway Improvement Fund; contingent reduction of \$1.8 million (FPN page 64)
- Soil Conservation Districts – sets at \$9.2 million for 2010 and 2011; increases to \$9.6 million in 2012 and \$10.0 million in 2013 and thereafter; eliminates requirement to employ at least 110 field personnel; contingent reduction of \$400,000 (FPN page 67)
 - Soil Conservation Districts – concur with 2010 funding level; maintain \$9.2 million level permanently (DLS page 1)
- Maryland Agricultural and Resource-Based Industry Development Corporation – sets at \$2.75 million for 2010 and 2011; sets at \$4.0 million for 2012 through 2020; contingent reduction of \$1.25 million (FPN page 66)
 - Maryland Agricultural and Resource-Based Industry Development Corporation – fund at \$1.5 million in 2010 and \$2.75 million in fiscal 2011 through 2020 (DLS page 5)

Economic Development

- Maryland Tourism Board – sets at \$4.9 million for 2010 and 2011; increases to \$5.5 million in 2012 and \$6.0 million in 2013; contingent reduction of \$1.1 million (FPN page 61)
 - Maryland Tourism Board – concur with 2010 funding level; establish that level permanently (DLS page 3)
- Maryland State Arts Council – sets at \$10.5 million for fiscal 2010 and 2011, \$13.5 million for 2012, and \$16.5 million for 2013; formula with growth at the rate of general fund growth resumes in 2014; contingent reduction of \$6.0 million (FPN page 60)
 - Maryland State Arts Council – concur with 2010 funding level; establish that level permanently (DLS page 16)

Health and Human Services

- Statewide Academic Health Centers – reduces required grants under the Cigarette Restitution Fund (CRF) from \$15.4 million to \$9.9 million for 2010 and 2011; contingent reduction of \$5.4 million special fund grants; authorizes use of \$4.4 million in lieu of general funds in Medicaid (FPN page 35)
- Tobacco Use Prevention and Cessation – permanently reduces funding for activities to reduce tobacco use from \$21.0 million to \$7.0 million; contingent reduction of \$14.0 million special funds grants from CRF; authorizes use of \$14.8 million from CRF for Breast and Cervical Cancer Programs in fiscal 2010 in lieu of general funds (FPN page 35)
- Weatherization – eliminates mandated use of Electric Universal Service Program funds for housing weatherization projects; contingent reduction of \$1.0 million (FPN page 69)

State Employees

- Deferred Compensation Match – eliminates for 2010; contingent reduction of \$11.8 million in general funds, \$23.6 million in all funds (FPN page 73)
- Increments and Merit Pay – eliminates for 2010; exempts increases necessary for the retention of faculty in the University System of Maryland, Morgan State University, and St. Mary's College of Maryland (FPN page 70)

Other

- Local Jail Reimbursement – reduces reimbursement rates to 34 or 50% (from 50 or 85%) of per diem inmate costs for 2010 and 2011 for inmates in local jails from 3 to 12 months; contingent reduction of \$6 million (FPN page 58)
 - Local Jail Reimbursement – create a permanent grant program whereby each county is provided a per diem rate (at least \$45) for each inmate housed between 12 and 18 months, based on prior year actuals (DLS page 23)
- Forest and Park Reserve Funds – revenue sharing (payment-in-lieu-of-taxes) to counties is limited to revenue from timber sales in fiscal 2010 and 2011; contingent reduction of \$1.9 million (FPN page 62)
 - Forest and Park Reserve Funds – permanently eliminate payment-in-lieu-of-taxes from all forest and park revenue sources and timber sales revenue sharing (DLS page 35)

Rate Restrictions

- Group Homes – for 2010, prohibits Interagency Rates Committee from paying rates higher than those in effect as of January 21, 2009; contingent reduction of \$5.5 million (FPN page 80)
- Nonpublic Special Education Placements – for fiscal 2010, limits increase to providers to 1% over rates in effect as of January 21, 2009 (FPN page 48)

Local Payments

- Reduces distribution of local income tax revenues for 10 years to replenish refund reserve – \$36.7 million annually to nonbudgeted reserve account (FPN page 8)
- Requires counties to fund 90% of real and business personal property valuation and 75% of assessment information technology; contingent reduction of \$36.7 million (FPN page 76)
 - Assessment Operations – require counties to pay 50% of real and business personal property valuation and assessment information technology (DLS page 21)

Authorizes/Mandates Use of Special Funds for Other Purposes

Health

- Prince George's Hospital Center – authorizes use of \$12.0 million from the Health Care Coverage Fund in 2010 (FPN page 33)
- Medicaid – authorizes use of hospital assessment on averted uncompensated care for hospital payments; contingent general fund reduction of \$9.0 million (FPN page 37)
- Medicaid – authorizes use of \$9.1 million from Community Health Resources Commission Fund for Primary Adult Care program; contingent general fund reduction of \$9.1 million (FPN page 31)
- Medicaid – amends definition of “medically uninsurable individual” to allow use of Maryland Health Insurance Plan funds for certain Medicaid-eligible persons; contingent general fund reduction of \$4.5 million (FPN page 38)

Environment

- Program Open Space – authorizes \$1.2 million for operating costs in Departments of Natural Resources (DNR), Planning, and General Services (FPN page 68)
- Waterway Improvement Fund – authorizes up to \$750,000 to be used for administrative expenses directly related to the fund in DNR; contingent general fund reduction of \$750,000 (FPN page 64)
- Chesapeake Bay 2010 Trust Fund – for fiscal 2010, directs \$2.5 million of motor vehicle fuel tax receipts and \$3.9 million of rental car tax receipts to the general fund for 2010; contingent general fund reduction of \$6.5 million in DNR Watershed Services (FPN page 42)
 - Chesapeake Bay 2010 Trust Fund – for fiscal 2010, direct \$16.5 million from the motor fuel and rental car tax receipts to the general fund to be used in lieu of general funds in DNR (DLS page 19)
- Strategic Energy Investment Fund – for fiscal 2010 and 2011 alters distribution of Regional Greenhouse Gas Initiative (RGGI) proceeds to increase amount directed to energy assistance for low-income individuals from 17.0 to 50.0% and reduce the amount for renewable energy and outreach from 10.5 to 6.5% and for administration from 3.5 to 3.0%; contingent general fund reduction of \$35.6 million in Department of Human Resources Office of Home Energy Programs (FPN page 78)
 - Strategic Energy Investment Fund – amend distribution of RGGI proceeds to provide additional funds for low income energy bill assistance in lieu of general funds (DLS page 25)

Other

- Medicare Part D Prescription Drug Subsidy – directs future receipts to the State Employees and Retirees Health and Welfare Benefits Fund instead of the Postretirement Health Benefits Trust Fund; contingent reduction of \$24.6 million in total funds for employee health insurance expenses (FPN page 71)
 - Medicare Part D – strike provision and retain funds for the Postretirement Health Benefits Trust Fund (DLS page 17)
- Maryland School for the Deaf – for fiscal 2010, authorizes use the Universal Service Trust Fund; contingent general fund reduction of \$1.0 million (FPN page 55)

- Maryland School for the Deaf – authorize use of \$5.0 million from the Universal Service Trust Fund (DLS page 31)

Increases Special or General Fund Revenue

- Drinking Driver Monitor Program – increases monthly fee from \$45 to \$55 and removes sunset; contingent general fund reduction of \$1.4 million (FPN page 39)
- Maryland-mined Coal Tax Credit – repeals and limits claims to coal mined prior to December 31, 2008; budget assumes additional general fund revenue of \$9.0 million (FPN page 40)
- Lottery Agent Commissions – reduces commission from 5.5 to 5.0%; budget assumes additional general fund revenue of \$8.6 million (FPN page 41)

Transfers Special Fund Balances to the General Fund – Fiscal 2009

Local Income Tax Reserve	\$366,778,631
Dedicated Purpose Account	73,000,000
State Police Helicopter Fund	51,500,000
University System of Maryland Fund Balance	20,000,000
Injured Workers' Insurance Fund Reserve	18,000,000
Maryland Trauma Physician Services Fund	17,000,000
Community Health Resources Commission Fund	14,000,000
State Insurance Trust Fund	10,000,000
Maryland Automobile Insurance Fund Uninsured Account	7,000,000
Central Collection Unit	5,000,000
Sunny Day Fund	5,000,000
Maryland Economic Development Assistance Fund	5,000,000
Board of Physicians Fund	3,000,000
Senior Prescription Drug Assistance Program	2,600,000
Oil Disaster Cleanup Fund	2,006,000
Maryland Health Care Commission Fund	2,000,000
Vehicle Theft Prevention Fund	1,000,000
Used Tire Cleanup Fund	1,000,000
School Bus Safety Enforcement Fund	900,000
Insurance Regulation Fund	605,035
Board of Nursing Fund	500,000
Small Business Pollution Compliance Loan Fund	277,785

Transfers Special Fund Balances to the General Fund – Fiscal 2010

Catastrophic Event Fund	\$5,398,109
Maryland Economic Development Assistance Fund	5,000,000
Central Collection Unit	5,000,000
State Board of Occupational Therapy Practice Fund	100,000
State Board of Examiners of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists Fund	100,000

- Fund Balance Transfers – for details, see FPN pages 8-31
 - Fund Balance Transfers – strike transfer from State Board of Occupational Therapy Practice Fund and State Board of Examiners of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists Fund; increase transfer from Board of Physicians Fund to \$3.2 million (DLS pages 28-30)

Other Provisions

- InterCounty Connector – authorizes the use of general obligation bonds to satisfy commitment; eliminates any payment for fiscal 2009; contingent reduction of \$63.0 million payment from Dedicated Purpose Account (FPN page 29)
- Employee Retirement – salary lost due to furlough or other temporary salary reduction is included as earnable compensation for retirement benefits and contribution purposes (FPN page 74)
- Leave Pay-out – if an employee separates from State service during a temporary salary reduction, leave pay-out is calculated at the rate in effect immediately prior to the temporary reduction (FPN page 74)

Additional Recommendations to HB 101/SB 166

Mandate Relief

- Circuit Court Law Clerks – shift costs for 153 positions across all jurisdictions to local jurisdictions; contingent reduction of \$8.2 million (DLS page 37)
- Somatic Care for Certain Clients at State-Run Psychiatric Hospitals – costs in excess of \$25,000 for clients that have been transferred from a local jail would be borne by the county (DLS page 39)
- Local Disparity Grants – restructure the calculation of the grant so that income tax revenues are redistributed among the counties in lieu of a general fund grant; contingent reduction of \$121.4 million (DLS page 40)
- Local Employee Retirement Contributions – the costs of certain local employees' retirement would be paid by the employer counties; applies to State's Attorneys, sheriffs, County Treasurers, County Commissioners, Orphans' Court Judges, Bingo Board members, and Liquor and License Board members; contingent reduction of \$2.5 million (DLS page 42)
- Baltimore City Grant – eliminate provision for grant provided in Chapter 6 of the 2007 special session; contingent reduction of \$3.1 million (DLS page 44)
- Highway User Revenues – reduce sales tax distribution to the Transportation Trust Fund and modify the local share of highway user revenues to 25% (from 30%), with Baltimore City's share at 40% of the total local share; contingent special fund reduction of \$80.0 million (DLS page 45)
- Fisheries Research and Development Fund – permanently eliminate the general fund contribution to the Fisheries Research and Development Fund; contingent reduction of \$1.8 million (DLS page 47)

Good Government

- Maryland Trauma Physician Services Fund – consolidate revenues directed to this fund to the Maryland Emergency Medical System Operations Fund (MEMSOF) and authorize MEMSOF to be used for uncompensated care provided by a trauma physician (DLS page 49)

- Transfer of Pay-as-you-go (PAYGO) Special Funds – prohibit the transfer of PAYGO special funds to the operating budget, under the same restriction in place for general funds (DLS page 50)
- Maryland Department of Transportation (MDOT) Annual Reporting – codify annual budget bill language requiring reports on non-traditional debt and debt outstanding to be submitted with the draft and final *Consolidated Transportation Program* (DLS page 51)
- Vehicle Emissions Inspection Program (VEIP) – VEIP should be included as part of the Motor Vehicle Administration’s cost recovery requirement; revenues and expenditures should be reflected in the State budget; and the fee should be set by regulation rather than statute (DLS page 52)
- Public-private Partnerships – modify statutory definition of public-private partnerships to include a port or airport facility or any facility owned by the Maryland Transportation Authority; change references from “procurement” to “solicitation” to more accurately reflect the nature of these arrangements (DLS page 53)
- Major Transportation Projects – modify statutory definition of a major capital project to include any project with a total cost greater than \$10 million (DLS page 54)
- Program Open Space Contingency Fund – increase the cap on the contingency fund from \$250,000 to \$1.0 million (DLS page 55)
- Nurse Support II Program – transfer administrative responsibility for the Nurse Support II Program from the Maryland Higher Education Commission to the State Board of Nursing (DLS page 56)
- Office of Deaf and Hard of Hearing – merge this office into the Department of Disabilities to streamline provision of services and maximize shared resources (DLS page 57)
- Maryland Renewable Energy Fund Audit – repeal obsolete uncodified section of Chapter 487 of 2004; Maryland Renewable Energy Fund was repealed by Chapter 127 of 2008 (DLS page 58)
- Electric Universal Service Program Audit – modify statute so that this program can be examined by the Office of Legislative Audits as part of the fiscal compliance audits of the Department of Human Resources (DLS page 59)

- School Facilities Assessment Survey – modify statute so that the required survey is conducted every four years regardless of State funding provided specifically for that purpose (DLS page 60)
- Capital Debt Affordability Committee (CDAC) – repeal requirement that the CDAC make specific recommendations regarding school construction needs and funding (DLS page 61)

Revenue Maximization

- Evidence-based Practices – amend the State Medicaid Plan to make certain evidence-based practices eligible for federal fund participation (DLS page 62)
- Department of Juvenile Services (DJS) Federal Title IV-E – amend statute to clarify that the Department of Human Resources may supervise DJS' determination of Title IV-E eligibility and claims (DLS page 63)

Use of Special Funds

- Program Open Space eligibility – amend statute to clearly state that Jefferson Patterson Park and Museum and Historic St. Mary's City are eligible recipients of capital project funding from the State share of Program Open Space (DLS page 64)
- Central Collection Fund – establish an automatic sweeper mechanism whereby balances in excess of 10% of the upcoming year's budget for the Central Collection Unit be transferred to the general fund (DLS page 66)
- State Used Tire Fund – authorize the Maryland Department of the Environment to use 50% of the State Used Tire Cleanup and Recycling Fund revenue for operations; contingent reduction of \$1.9 million in general funds (DLS page 67)
- Bay Restoration Fund Septic Account – transfer \$5 million from septic system upgrade portion of the Septic Account to the cover crop program portion of the account in fiscal 2010 (DLS page 68)

Other

- Expansion of Maryland State Department of Education Educational Programming into DJS Facilities – extend until 2014, from 2012, the statutory deadline to provide programming in all facilities (DLS page 69)

- Calculation of Overtime in Division of Correction – authorize the Department of Public Safety and Correctional Services to establish a pilot program to implement a 12-hour shift in one facility for one year; participating employees would receive bonuses from the overtime savings (DLS page 70)
- Court of Appeals Facility Renovation – prohibit the Judiciary from expending any funds on renovations of Annapolis facility outside of the capital planning and budgeting process; additional reversion of \$2.8 million (DLS page 71)
- Fiscal 2009 Cost-of-living Adjustment Funds – withdraw appropriation of \$1.6 million of unspent and unneeded funds for employee adjustments in the Department of Budget and Management (DLS page 72)
- MDOT Fiscal 2009 Cost Containment – withdraw special fund appropriation of \$18.6 million to implement cost containment measures identified by MDOT and reflected in the department’s financial forecast (DLS page 73)
- Furlough of Loaned Educators – the Maryland State Department of Education employs, through a reimbursement agreement with local school systems, a number of loaned educators; furloughs imposed on State employees should be applied to these staff as well; would result in \$42,000 general fund reversion and \$136,000 reduction in all funds (DLS page 74)

Technical Amendments

- Program Open Space – technical correction to allow use of special funds in fiscal 2010 and 2011 (not 2011 and 2012 as introduced)