

Conference Committee

Report on

House Bill 70 – the Budget Bill

and

**House Bill 72 – the Budget Reconciliation and
Financing Act**

**Maryland General Assembly
Annapolis, Maryland**

April 7, 2011

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Fiscal 2012 Budget Highlights
Budget Bill (House Bill 70)
As Amended by the Conference Committee

- 1. Reduces Structural Budget Gap by Over 42% –** The budget forecast prepared for the Spending Affordability Committee estimated that the fiscal 2012 structural gap between revenues and spending to be almost \$2 billion. The Spending Affordability Committee recommended that the budget be reduced by an amount sufficient to reduce the general fund structural deficit by 33.3%. The budget reductions, including actions taken by the Governor, reduce the structural deficit by \$734 million or 37.6%. In conjunction with revenue actions, the structural gap is reduced by 42.3%.
- 2. Continues to Constrain Spending –** General fund expenditure growth in fiscal 2012 is almost entirely due to the need to replace \$1.1 billion in federal American Recovery and Reinvestment Act (ARRA) and \$350 million in local income tax reserve funds that supported education and Medicaid in fiscal 2011. Excluding spending for primary/secondary education and Medicaid, general fund expenditures grow 1.4%, well under the 3.3% estimated growth in general fund revenues for fiscal 2012.
- 3. Maintains the State’s Commitment to the Public Schools –** Total State support for the public schools will be about \$5.8 billion, an increase of \$41.2 million. This reflects level funding per student for the major State aid formulas – \$58.5 million higher than the formula funding proposed by the Administration. In addition, budget bill language reserves another \$18.0 million for education aid contingent on enactment of SB 994 increasing the alcohol sales tax.
- 4. Protects Previous Investments in Higher Education –** Maryland’s State colleges and universities receive about \$1.2 billion in State funds, essentially level with fiscal 2011. This funding will enable the institutions to hold tuition increases to 3%. Aid for community colleges and private colleges and universities is also not reduced below fiscal 2011 levels, and the budget funds a special grant program to give community colleges an incentive to limit tuition increases to 3%.

5. **Sustains Healthcare Programs for Low-income Marylanders –** Medicaid funding grows \$840 million, and there is no reduction in services or eligibility for services
6. **Maintains 5% of General Fund Balance in Rainy Day Fund –** The proposed budget actions result in a fund balance of about \$50 million. In addition, the balance in the State’s Rainy Day Fund is estimated to be \$681 million, or 5%, of general fund revenues at the end of fiscal 2012.
7. **Discontinues State Employee Furloughs –** For the first time in three years, the budget does not include a furlough of State employees. In addition, current State employees will receive a \$750 bonus.
8. **Makes Employee Fringe Benefits More Sustainable and Affordable –** Although employees will be required to contribute more for retirement benefits, the pension system is restructured to preserve a defined benefit while improving the long-term funded status of the system. Health benefits continue to be comprehensive and affordable for employees and retirees; however, significant progress is made to lower the State’s retiree health liabilities by changing current benefits and mandating a shift to the federal Medicare Part D prescription drug program in fiscal 2020.
9. **Repays Transportation Trust Fund and Provides Additional Highway User Aid to Local Governments –** Provisions in the Budget Reconciliation and Financing Act ensure that the \$100.0 million from the Transportation Trust Fund is repaid. In addition, grants for county and municipal roads are enhanced by \$13.3 million in fiscal 2012. Language is also added to require that before any funds may be transferred or diverted from the trust fund, legislation must provide for it to be repaid within five years.

Budget Summary
Fiscal 2011 and 2012
(\$ in Millions)

General Fund

	Admin. Proposal¹	House	Senate	Conf. Com.
<u>Fiscal 2011</u>				
Ending Balance Before Legislative Action	\$614.9	\$614.9	\$614.9	\$614.9
Revenues – Legislation – BRFA	23.3	23.0	23.3	23.0
Fund Transfers – Legislation – BRFA	8.7	9.1	8.7	9.0
Expenditure Reduction – Deficiency Appropriations	0.0	0.2	0.0	0.2
Adjusted Ending Balance	\$646.9	\$647.2	\$646.9	\$647.1
<u>Fiscal 2012</u>				
Revenues – March BRE Estimate	\$13,597.8	\$13,597.8	\$13,597.8	\$13,597.8
Other Revenues	85.5	85.9	85.9	85.9
Revenues – Legislation – BRFA	163.8	160.1	161.7	157.1
Revenues – Other Legislation – SB 994 ²	0.0	0.0	29.0	
Fund Transfers – Legislation – BRFA	21.5	36.4	34.9	36.4
Capital Transfers – Legislation – BRFA	191.3	191.3	191.3	191.3
Total Revenues and Balance	\$14,706.7	\$14,718.7	\$14,747.5	\$14,715.5
Expenditures – Before Hospital Assessment Offset	\$15,371.4	\$15,372.5	\$15,372.5	\$15,372.5
Hospital Assessment Funds Contingent on BRFA	-254.1	-254.1	-254.1	-254.1
Expenditures – Governor's Allowance	15,117.3	15,118.4	15,118.4	15,118.4
Expenditure Reductions – Contingent on BRFA	-442.4	-371.3	-374.5	-389.4
Expenditure Reductions – Contingent on Other Legislation	-2.4	0.0	0.0	0.0
Expenditure Reductions	0.0	-81.2	-46.7	-63.2
Total Expenditures	\$14,672.4	\$14,666.0	\$14,697.3	\$14,665.7
Ending Balance (Revenues Less Expenditures)	\$34.3	\$52.7	\$50.2	\$49.8
<u>Cash Position</u>				
General Fund Balance	\$34.3	\$52.7	\$50.2	\$49.8
Rainy Day Fund Balance – June 30, 2012 (Before TTF Transfer)	641.5	641.5	641.5	641.5
Transfer from TTF to Rainy Day Fund Contingent on BRFA	39.5	40.0	40.0	40.0
Total	\$715.2	\$734.2	\$731.7	\$731.3
Cash and Rainy Day Fund Over 5%	\$34.8	\$53.8	\$51.3	\$50.9

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

TTF: Transportation Trust Fund

¹ Administration proposal reflects the Administration's BRFA amendments.

² Senate Bill 994 raising the sales tax on alcohol has passed the Senate and is in the House.

Spending Affordability Analysis
Conference Committee
(\$ in Millions)

Structural Deficit Analysis

Ongoing Baseline Spending Fiscal 2012	\$15,551
Conference Committee Spending	14,666
Reductions from Baseline Spending	885

Exclusions

Temporary Assistance for Needy Families	-\$46
Federal Education Jobs Monies	-124
Employee Bonus	40
40% of Dept. of Assessments and Taxation	-15
Judiciary Operating Reduction	-5

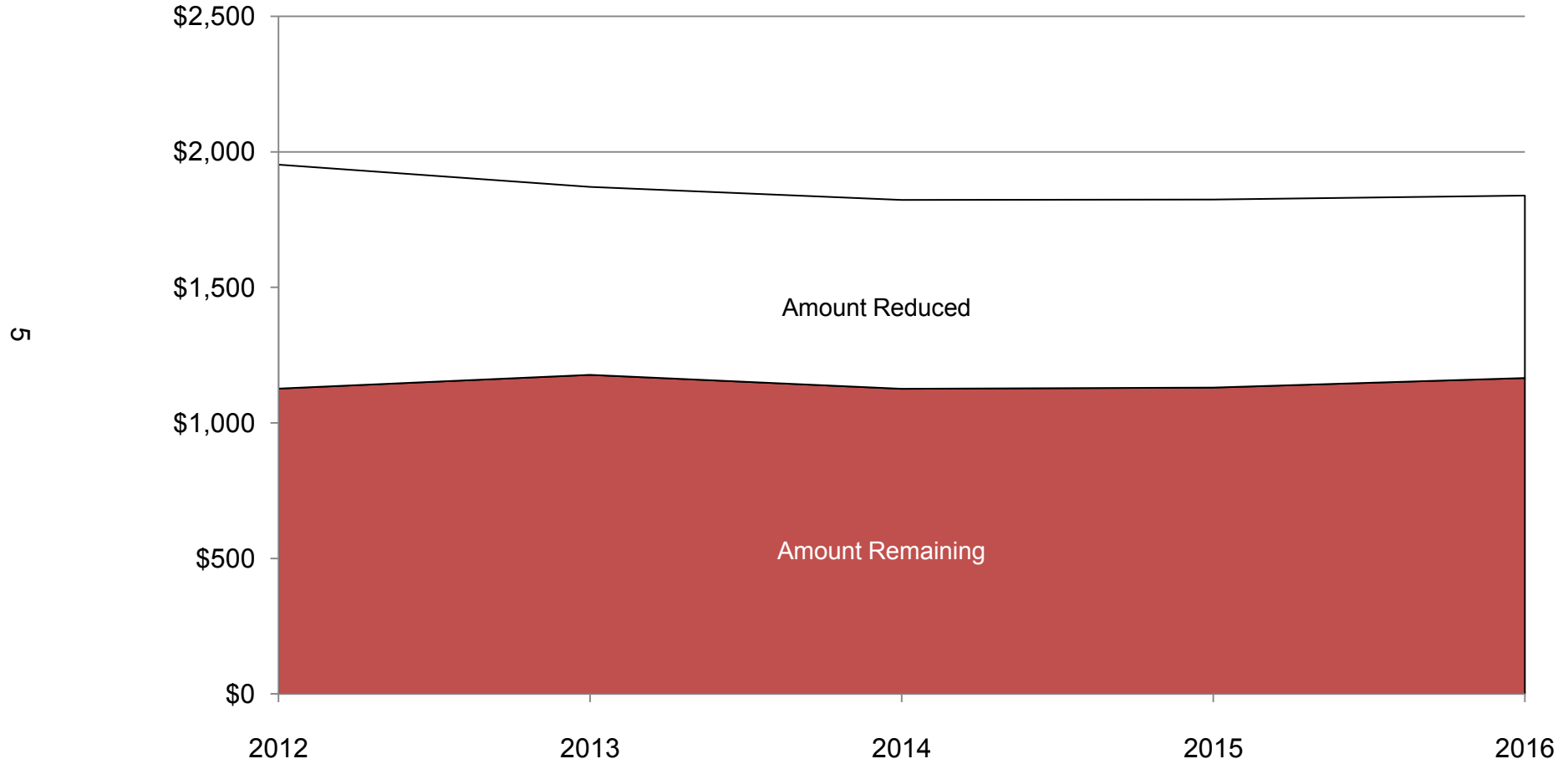
Subtotal **-\$151**

Structural Reductions from Baseline Spending **\$734**

Estimated Structural Gap (December 2010) **-\$1,953**

Percent of Fiscal 2012 Structural Deficit **-37.59%**

Projected Structural Deficit Reduction Achieved and Work Left to Do
Fiscal 2012-2016
(\$ in Millions)



**Budget Reductions
House Bill 70
Fiscal 2012 Budget
(\$ in Millions)**

General Funds

<u>Local Aid</u>	<u>House</u>	<u>Senate</u>	<u>Conf. Comm.</u>
C Level Fund Per Pupil Education Aid*	\$34.2	\$11.6	\$36.2
C Prefund Education Formulas with Fiscal 2011 State Funds Available Due to Education Jobs Monies	124.4	124.4	124.4
Reduce Geographic Cost of Education Index to Amount Required Under Statute	1.0	1.0	1.0
C No General Funds for Aging Schools Program – Replace \$6.1 Million with Bond Funds	6.1	6.1	6.1
State Funds to Pay for Advanced Placement and PSAT Exams			3.4
C Level Fund Library Aid Formula and the Regional and State Resource Centers	4.1	4.1	4.1
C Restructuring Retirement Benefits for Employees'/Teachers' Retirement Systems	79.9	79.9	79.9
C Local School Boards & Community Colleges Share State Retirement Agency Administrative Costs	17.0	16.6	16.6
New Keeping Maryland Community Colleges Affordable Grant	0.0	5.0	0.0
	\$266.8	\$248.7	\$271.7
 <u>Medicaid</u>			
C Additional Hospital Assessment Funding of Medicaid	\$17.5	\$17.5	\$17.5
C Fund Kidney Disease Program with Special Funds	11.6	11.6	11.6
C Increase Nursing Home Facility Assessment – Save Medicaid General Funds	13.0	13.0	13.0
Additional Cost Containment and Limiting Claims Processing and Eligibility Determination Errors	20.0	2.3	5.0
Funding for Managed Care Organizations' Incentive Payments	2.3	0.0	0.0
Scale Back Calendar 2011 Rate Increases for Managed Care Organizations	9.5	9.5	9.5
Reduce Funding for Non-emergency Transportation Grants	1.1	1.1	1.1
Other Medicaid Reductions	1.3	0.8	0.8
	\$76.2	\$55.8	\$58.5
 <u>Higher Education</u>			
Reduce General Fund Support for the University System of Maryland System Office	\$8.1	\$2.0	\$4.0
Lower State Support for Morgan State University	0.4	0.1	0.2
C Use Special Funds for Riley Fire and Emergency Medical Services Tuition Reimbursement Program	0.3	0.3	0.3
C Phase-out Distinguished Scholar Program	1.1	1.3	1.1
Reduce Monies for Veterans of Afghan and Iraq Conflicts Scholarship	0.2	0.2	0.2
C Allow Higher Education Commission to Charge for Program Review	0.3	0.3	0.3
New Complete College Grant (\$1 Million)	1.0	0.5	0.8
	\$11.3	\$4.6	\$6.8
 <u>State Agencies</u>			
C Restructuring Retirement Benefits for Employees'/Teachers' Retirement Systems	\$24.1	\$24.1	\$24.1
C Savings from Retiree Prescription Drug Plan Changes	11.9	22.1	13.9
Health Insurance Savings from Favorable Cost Trends/Plan Changes – Legislature and Judiciary	1.1	1.1	1.1
Savings from Elimination of 450 State Positions	15.0	0.0	17.3
Across-the-budget Electricity Savings	2.0	2.0	2.0
Less Judiciary Operating Expenditures – Use Encumbrances to Partially Replace	8.9	12.5	9.5
Reduce Funds for Retired Judges	0.5	0.5	0.5
Attorney General – Reduce Funds for Legal Counsel and Advice – Recover Costs from Agencies	1.6	1.6	1.6
Attorney General – Reduce Operating Expenses	1.1	0.8	0.0
C Charge Counties for Share of Property Valuation Costs	19.3	34.8	34.8
Funding for Residential Treatment Centers – Mental Hygiene Administration	3.0	2.0	0.0
C Add Funds for Waiting List Initiative – Developmental Disabilities Admin. – SB 994 Appropriation*	0.0	-5.0	
C Charge Local School Systems for DJS, DHR, and MSDE Nonpublic Placements	3.5	3.5	3.5
Increase Turnover to Be More Consistent with Current Vacancy Rate – Parole and Probation	1.1	0.8	0.9
C Use 9-1-1 Balance for Maryland State Police Records Management System	1.0	1.0	1.0
C Use Maryland Heritage Areas Grant Monies for Department of Planning Administrative Costs	0.1	0.5	0.5
C Special Funds Available by Eliminating Payments to Counties in Lieu of Taxes – DNR	1.7	1.7	1.7
Grant to Maryland Agricultural and Resource-Based Industry Development Corporation	0.0	1.8	0.0
Other Reductions	2.2	1.2	2.3
	\$98.3	\$107.0	\$114.8

Grants/Tax Credits

Reduce Funding for Sustainable Communities Tax Credit Program	\$0.0	\$3.0	\$1.0
Stem Cell Research Grants	0.0	2.0	0.0
	\$0.0	\$5.0	\$1.0

Total General Funds	\$452.7	\$421.2	\$452.9
Reductions Also Incorporated in the Governor's Budget Proposal	\$355.4	\$360.8	\$375.2
Total Reductions Proposed in Addition to the Governor's Proposal	\$97.2	\$60.4	\$77.7

*As passed by the Senate, SB 994 raising the sales tax on alcohol would redirect \$22.5 million of the education aid savings for education and disparity grant formula adjustments and appropriate \$5 million for the Developmental Disabilities Waiting List Initiative.

Special Funds

	<u>House</u>	<u>Senate</u>	<u>Conf. Comm.</u>
C Savings from Retiree Prescription Drug Plan Changes	\$2.9	\$5.4	\$3.4
Judiciary – Add Appropriation to Bring Funding for Attorney Grievance Commission into Budget	0.0	-3.6	0.0
C Funds from Abandoned Property Revenues to Maryland Legal Services	0.5	0.0	0.0
Scale Back Increase in Advertising Expenses for Maryland Lottery	0.4	0.4	0.4
Less Revenues Projected from Horse Racing for Agricultural Fair Board	0.6	0.6	0.6
Delete Funding for Horse Racing Impact Aid	1.2	1.2	1.2
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Double Budgeted	12.8	12.8	12.8
C Payments to Counties in Lieu of Taxes – Department of Natural Resources	1.7	1.7	1.7
C Scale Back Funding for Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	21.7	18.7	20.2
Various Maryland State Department of Transportation Reductions	0.3	0.3	0.3
Funding for Nonpublic Textbooks	0.4	0.0	0.0
No Operating Funding for Wastewater Treatment Plants from Bay Restoration Fund	1.0	1.0	1.0
C Reduce Funding for Preservation of Cultural Arts Program	1.0	0.0	0.5
C Abandoned Property – Spending on Newspaper Advertising	0.5	0.5	0.0
Prince George's County Hospital Grant – Money Also Budgeted in Dedicated Purpose Account	15.0	15.0	15.0
InvestMaryland – Fund with Budget Amendment If Legislation Establishing Program Passes			22.3
Across-the-budget Electricity Savings	3.0	3.0	3.0
Other Reductions	1.5	1.5	1.4
	\$64.5	\$58.5	\$83.7
<u>Pay-as-you-go</u>			
Reduce Funds for Open Space, Rural Legacy, and Agricultural Land Preservation – Use Bonds	\$85.9	\$85.9	\$94.5
Less Funding for Jane E. Lawton Conservation Loan Program	0.5	0.5	0.5
	\$86.4	\$86.4	\$95.0
Total Special Funds	\$150.9	\$144.9	\$178.7

C: These items are contingent on passage of the Budget Reconciliation and Financing Act (HB 72).

- BRFA: Budget Reconciliation and Financing Act
- DHR: Department of Human Resources
- DJS: Department of Juvenile Services
- DNR: Department of Natural Resources
- MSDE: Maryland State Department of Education

State Expenditures – General Funds
(\$ in Millions)

<u>Category</u>	Adjusted	Allowance	Conference	Conference	FY 2011 to FY 2012	
	Work. Approp. FY 2011	FY 2012	Reductions	Approp. FY 2012	\$ Change	% Change
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n/a
County/Municipal	185.9	177.8	0.0	177.8	-8.1	-4.4%
Community Colleges	258.1	267.3	5.0	262.3	4.2	1.6%
Education/Libraries	4,903.3	5,745.3	266.7	5,478.6	575.3	11.7%
Health	37.3	37.3	0.0	37.3	0.0	0.0%
Aid to Local Governments	\$5,384.6	\$6,227.7	\$271.7	\$5,956.0	571.4	10.6%
Foster Care Payments	241.9	238.8	0.0	238.8	-3.1	-1.3%
Assistance Payments	49.8	49.9	0.0	49.9	0.1	0.3%
Medical Assistance	1,816.0	2,612.5	58.5	2,554.0	738.0	40.6%
Property Tax Credits	75.9	79.4	0.0	79.4	3.5	4.6%
Entitlements	\$2,183.6	\$2,980.6	\$58.5	\$2,922.1	738.5	33.8%
Health	1,382.4	1,423.3	3.9	1,419.4	37.0	2.7%
Human Resources	263.3	280.4	5.2	275.1	11.8	4.5%
Systems Reform Initiative	20.5	18.8	0.0	18.8	-1.7	-8.1%
Juvenile Services	257.5	263.0	3.6	259.4	1.9	0.7%
Public Safety/Police	1,170.8	1,268.6	7.7	1,260.9	90.1	7.7%
Higher Education	1,145.6	1,135.5	9.0	1,126.5	-19.1	-1.7%
Other Education	370.4	351.1	3.6	347.5	-22.9	-6.2%
Agric./Nat'l. Res./Environment	102.5	103.4	2.4	101.0	-1.5	-1.4%
Other Executive Agencies	543.6	607.6	39.4	568.2	24.6	4.5%
Legislative	75.6	77.4	0.8	76.6	1.0	1.4%
Judiciary	370.3	385.9	12.6	373.3	3.0	0.8%
Across-the-board Reductions	0.0	0.0	33.3	-33.3	-33.3	n/a
State Agencies	\$5,702.6	\$5,915.2	\$121.5	\$5,793.7	91.1	1.6%
Total Operating	\$13,270.8	\$15,123.4	\$451.7	\$14,671.7	\$1,401.0	10.6%
Capital ⁽¹⁾	10.8	10.0	1.0	9.0	-1.8	-16.7%
Reserve Funds	15.0	15.0	0.0	15.0	0.0	0.0%
Appropriations	\$13,296.6	\$15,148.4	\$452.7	\$14,695.7	\$1,399.2	10.5%
Reversions	-34.5	-30.0	0.0	-30.0	4.5	-13.0%
Grand Total	\$13,262.1	\$15,118.4	\$452.7	\$14,665.7	\$1,403.7	10.6%

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

Note: The fiscal 2011 working appropriation includes deficiencies, \$7.9 million in targeted reversions, and Conference Committee cuts to the deficiencies. The fiscal 2012 allowance includes \$31.3 million in reductions from Sections 19, 20, and 22 of the budget bill (HB 70) and \$0.4 million in targeted reversions. The fiscal 2012 reductions include \$389.4 million contingent on the Budget Reconciliation and Financing Act (HB 72).

State Expenditures – All Funds
(\$ in Millions)

<u>Category</u>	Adjusted	Allowance	Conference	Conference	FY 2011 to FY 2012	
	Work. Approp. FY 2011	FY 2012	Reductions	Approp. FY 2012	\$ Change	% Change
Debt Service	\$1,000.7	\$1,066.9	\$0.0	\$1,066.9	\$66.2	6.6%
County/Municipal	553.7	453.1	25.3	427.9	-125.8	-22.7%
Community Colleges	258.1	267.3	4.3	263.1	4.9	1.9%
Education/Libraries	6,819.6	6,759.7	288.3	6,471.4	-348.2	-5.1%
Health	41.8	41.8	0.0	41.8	0.0	0.0%
Aid to Local Governments	\$7,673.2	\$7,521.9	\$317.9	\$7,204.0	-\$469.1	-6.1%
Foster Care Payments	333.6	325.1	-1.0	326.1	-7.5	-2.3%
Assistance Payments	1,383.4	1,385.2	0.0	1,385.2	1.8	0.1%
Medical Assistance	6,095.2	6,967.9	32.7	6,935.2	840.0	13.8%
Property Tax Credits	75.9	79.4	0.0	79.4	3.5	4.6%
Entitlements	\$7,888.2	\$8,757.6	\$31.7	\$8,725.9	\$837.7	10.6%
Health	2,704.7	2,806.3	19.2	2,787.0	82.3	3.0%
Human Resources	872.3	911.2	8.1	903.1	30.8	3.5%
Systems Reform Initiative	28.2	26.1	0.0	26.1	-2.0	-7.2%
Juvenile Services	275.4	274.6	2.0	272.5	-2.8	-1.0%
Public Safety/Police	1,502.9	1,516.1	7.9	1,508.2	5.3	0.4%
Higher Education	4,789.2	4,865.7	9.0	4,856.7	67.5	1.4%
Other Education	708.3	689.3	26.4	662.9	-45.4	-6.4%
Transportation	1,509.3	1,547.1	0.3	1,546.8	37.5	2.5%
Agric./Nat'l. Res./Environment	385.4	416.6	37.1	379.5	-5.9	-1.5%
Other Executive Agencies	1,772.2	1,929.3	25.2	1,904.0	131.8	7.4%
Legislative	75.9	77.5	0.8	76.7	0.9	1.2%
Judiciary	429.5	442.0	12.6	429.5	0.0	0.0%
Across-the-board Reductions	0.0	0.0	45.5	-45.5	-45.5	n/a
State Agencies	\$15,053.1	\$15,501.8	\$194.2	\$15,307.6	\$254.5	1.7%
Total Operating	\$31,615.1	\$32,848.3	\$543.8	\$32,304.5	\$689.3	2.2%
Capital ⁽¹⁾	1,679.1	1,914.6	71.9	1,842.7	163.6	9.7%
Reserve Funds	15.0	15.0	0.0	15.0	0.0	0.0%
Appropriations	\$33,309.2	\$34,777.9	\$615.7	\$34,162.2	\$853.0	2.6%
Reversions	-34.5	-30.0	0.0	-30.0	4.5	-13.0%
Grand Total	\$33,274.7	\$34,747.9	\$615.7	\$34,132.2	\$857.5	2.6%

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

Note: The fiscal 2011 working appropriation includes deficiencies, \$7.9 million in targeted reversions, and Conference Committee cuts to the deficiencies. The fiscal 2012 allowance includes \$53.7 million in reductions from Sections 19, 20, 22, 23, and 25 of the budget bill (HB 70) and \$0.4 million in targeted reversions. The fiscal 2012 reductions include \$420.8 million contingent on the Budget Reconciliation and Financing Act (HB 72). The reductions are offset by \$100.9 million in additional special fund spending due to funding swaps.

**General Fund Reductions Contingent on
Budget Reconciliation and Financing Act (HB 72)
Fiscal 2012
(\$ in Millions)**

<u>Contingent on Budget Reconciliation and Financing Act</u>	Admin. <u>Plan</u>	<u>House</u>	<u>Senate</u>	Conf. <u>Comm.</u>
Fund Charles W. Riley Scholarship from Current Moving Violations Surcharge	\$0.3	\$0.3	\$0.3	\$0.3
Distinguished Scholarship Awards – Phase-out	1.1	1.1	1.1	1.1
Eliminate Tolbert Scholarship – Grants for Private Career School Students	0.2	0.0	0.2	0.0
Allow Higher Education Commission to Charge Fees for Program Review	0.3	0.3	0.3	0.3
Education Aid – Reduce Foundation Per Pupil Amount	93.7	34.2	11.6	34.9
Education Aid – Aging Schools Program – Use Bond Funds	6.1	6.1	6.1	6.1
Education Aid – Reduce Due to Availability of Federal Funds in Fiscal 2011	124.4	124.4	124.4	124.4
Library Aid – Level Fund Library Aid Formula	2.4	2.4	2.4	2.4
Library Aid – Level Fund Regional and Central Libraries	1.7	1.7	1.7	1.7
Retirement Agency Administrative Costs – Local Boards Pay	0.0	17.0	16.6	16.6
Charge Local School Systems for DJS, DHR, and MSDE Nonpublic Placements	3.5	3.5	3.5	3.5
Alter Financing Mechanism for Hospital Graduate Medical Education	17.5	0.0	0.0	0.0
Additional Hospital Assessment Funding of Medicaid	0.0	17.5	17.5	17.5
Fund Kidney Disease Program with Special Funds	11.6	11.6	11.6	11.6
Increase Nursing Home Facility Assessment – Save Medicaid General Funds	13.0	13.0	13.0	13.0
Heritage Areas Authority Monies to Cover MD Dept. of Planning Expenses	0.5	0.1	0.5	0.5
Eliminate County Share of Forest or Park Reserve Funds (DNR)	2.4	1.7	1.7	1.7
MARBIDCO – Reduce Appropriation from \$2.75 Million to \$1.0 Million	1.8	0.0	0.0	0.0
Use Monies from State 9-1-1 Fee for State Police Information Tech. Project	1.0	1.0	1.0	1.0
Charge Counties for Share of Property Valuation Costs	34.8	19.3	34.8	34.8
Attachment Fee for Central Payroll – Use to Replace General Funds	0.1	0.1	0.1	0.1
Savings from Retiree Prescription Drug Plan Changes	22.1	11.9	22.1	13.9
Restructuring Retirement Benefits in Employees'/Teachers' Retirement Systems	104.0	104.0	104.0	104.0
Total Reductions Contingent on BRFA	\$442.4	\$371.3	\$374.5	\$389.4

BRFA: Budget Reconciliation and Financing Act

DHR: Department of Human Resources

DJS: Department of Juvenile Services

DNR: Department of Natural Resources

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

MSDE: Maryland State Department of Education

General Fund Revenues
Budget Reconciliation and Financing Act (HB 72)
(\$ in Millions)

	<u>Admin.</u> <u>Plan</u>	<u>House</u>	<u>Senate</u>	<u>Conf.</u> <u>Comm.</u>
<u>Fiscal 2011 Revenues</u>				
Federal Retiree Drug Subsidy	\$23.0	\$23.0	\$23.0	\$23.0
Moving Violations \$7.50 Surcharge – From VCAF Fund	0.3	0.0	0.3	0.0
Total Fiscal 2011 Revenues Contingent on BRFA	\$23.3	\$23.0	\$23.3	\$23.0
<u>Fiscal 2012 Revenues</u>				
Revenue Diversions				
Federal Retiree Drug Subsidy	\$24.0	\$24.0	\$24.0	\$24.0
Highway User Revenues – From MDOT Share	60.0	60.0	60.0	60.0
Modify Revenue Distribution to Chesapeake Bay 2010 Fund	18.7	21.7	18.7	20.2
Permanent Diversion of Special Fund Account Interest	11.0	7.0	7.0	7.0
Moving Violations \$7.50 Surcharge – From VCAF Fund	4.1	0.0	6.1	0.0
Admissions and Amusement Tax on Electronic Bingo and Tip Jars	3.2	4.2	3.2	3.7
Total Revenue Diversions	\$121.0	\$116.9	\$119.0	\$114.9
Additional Revenues				
Tax Clearance on Driver's Licenses and Vehicle Registrations	\$15.0	\$15.0	\$15.0	\$15.0
Continue Current Sales Tax Vendor Discount Cap	17.8	17.8	17.8	17.8
Eliminate IWIF Exemption for 2% Premium Tax	1.9	1.9	1.9	1.9
Increase Fees for Birth Records	0.0	4.0	4.0	4.0
Bad Driver Surcharge	3.8	0.0	0.0	0.0
Parole and Probation Fees – Raise from \$25 to \$50 Per Month	3.1	3.3	3.3	3.3
Interest Income Due to New Payment Schedule for DDA Providers	0.5	0.0	0.0	0.0
Abandoned Property – Eliminate Newspaper Listings – Use Internet	0.5	0.5	0.5	0.0
Abandoned Property – Discontinue Transfer for MD Legal Services	0.0	0.5	0.0	0.0
Specialty Hospital Assessments – Hospital Patient Recoveries	0.3	0.3	0.3	0.3
Total Additional Revenues	\$42.8	\$43.2	\$42.7	\$42.2
Total Fiscal 2012 Revenues Contingent on BRFA	\$163.8	\$160.1	\$161.7	\$157.1

BRFA: Budget Reconciliation and Financing Act
DDA: Development Disabilities Administration
IWIF: Injured Workers Insurance Fund
MDOT: Maryland Department of Transportation
VCAF: Volunteer Company Assistance Fund

Transfers to the General Fund
Budget Reconciliation and Financing Act (HB 72)
Fiscal 2011 and 2012
(\$ in Millions)

<u>Fiscal 2011</u>	<u>Admin.</u>	<u>House</u>	<u>Senate</u>	<u>Conf.</u>
	<u>Proposal</u>			<u>Comm.</u>
Program Open Space and Related Programs (PAYGO)	\$5.6	\$5.6	\$5.6	\$5.6
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	1.0	1.0	1.0	1.0
Used Tire Cleanup and Recycling Fund	0.5	1.0	0.5	0.8
Board of Veterinary Medical Examiners Fund	0.2	0.1	0.2	0.2
Forest or Park Reserve Fund	0.3	0.3	0.3	0.3
Maryland Health Care Commission Fund	1.0	1.0	1.0	1.0
Maryland Not-For-Profit Development Center Program Fund	0.3	0.3	0.3	0.3
Total Fiscal 2011 Transfers	\$8.7	\$9.1	\$8.7	\$9.0
<u>Fiscal 2012</u>				
State Board of Pharmacy Fund	\$0.2	\$0.2	\$0.2	\$0.2
State Board of Examiners of Psychologists Fund	0.0	0.0	0.0	0.0
Spinal Cord Injury Research Trust Fund	0.5	0.5	0.5	0.5
Senior Prescription Drug Program	0.0	1.5	1.0	1.5
State Insurance Trust Fund	2.0	2.0	2.0	2.0
Maryland Not-For-Profit Development Center Program Fund	0.1	0.1	0.1	0.1
Baltimore City Community College	0.0	2.3	1.3	2.3
Special Fund Savings from Voluntary Separation Program	8.6	8.6	8.6	8.6
Special Fund Savings Electricity Costs Reduction	0.0	3.0	3.0	3.0
Reimburse State for Administrative Expenses – IWIF/MAIF*	0.0	8.1	8.1	8.1
Real Property Records Improvement Fund – Circuit Court	10.0	10.0	10.0	10.0
Subtotal	\$21.5	\$36.4	\$34.9	\$36.4
<u>Fiscal 2012 PAYGO Capital Transfers</u>				
Program Open Space and Related Programs	\$94.5	\$94.5	\$94.5	\$94.5
Bay Restoration Fund	90.0	90.0	90.0	90.0
Waterway Improvement Fund	1.1	1.1	1.1	1.1
Neighborhood Business Development Fund	2.1	2.1	2.1	2.1
Homeownership Programs Fund	1.5	1.5	1.5	1.5
Special Loan Programs Fund	2.2	2.2	2.2	2.2
Subtotal	\$191.3	\$191.3	\$191.3	\$191.3
Total Fiscal 2012 Transfers	\$212.8	\$227.7	\$226.2	\$227.7

*IWIF transfer contingent on enactment of HB 598/SB 693; MAIF transfer contingent on enactment of SB 993.

BRFA: Budget Reconciliation and Financing Act

IWIF: Injured Workers Insurance Fund

MAIF: Maryland Automobile Insurance Fund

PAYGO: Pay-as-you-go Capital Funds – Operating Budget Spending for Capital Projects

Conference Committee Action on the Budget Reconciliation and Financing Act of 2011 (HB 72)

The Budget Reconciliation and Financing Act of 2011, as amended¹ by the Conference Committee, accomplishes the following for the general fund:

Fiscal 2011 Fund Transfers	\$9.0 million
Fiscal 2011 Revenues	23.0 million
Fiscal 2012 Fund Transfers	227.7 million
Fiscal 2012 Revenues	157.1 million
Fiscal 2012 Contingent Reductions and Fund Swaps	643.5 million
Total Budgetary Action	\$1,060.3 million

Disparity Grant – for fiscal 2012 only, increases from 75 to 77% the per capita statewide county income tax yield used in the calculation of the disparity grant, contingent on funding in the budget bill

Payroll Garnishment Fee – authorizes the State and other public employers to deduct \$2 per payroll for processing an individual’s wage attachment

Strikes a provision that would have repealed the requirement that the Comptroller publish notice of abandoned property in newspapers of general circulation

Maryland Legal Services Corporation – strikes a provision that would repeal a requirement to appropriate \$500,000 from abandoned property funds

Probation Supervisee Fee – permanently sets the monthly fee at \$50 for persons placed on probation or in the Drinking Driver Monitor Program by the courts or committed to the Division of Parole and Probation by the Maryland Parole Commission

Authorizes that revenue generated from moving violation surcharges be used in lieu of general funds for the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program; after distribution to the Riley program, the Volunteer Company Assistance Fund receives \$8.2 million in fiscal 2012 and \$2.1 million in fiscal 2013; all remaining proceeds are credited to the Maryland Emergency Medical Systems Operations Fund

Land Records Surcharge – increases the surcharge from \$20 to \$40 for recordable instruments executed on or after July 1, 2011, but before July 1, 2015

¹ Conference Committee changes to the bill as passed by the Senate are noted in *italics*.

Maryland Agricultural and Resource-Based Industry Development Corporation – establishes funding for fiscal 2012 at \$2.75 million, \$3.0 million in fiscal 2013, and \$4.0 million in fiscal 2014 through 2020

Maintenance of Effort – clarifies that no county can fund education aid below the local share of the foundation program

Education Aid – sets per pupil foundation amount at \$6,694 for fiscal 2012; inflationary increase up to 1% remains in effect for fiscal 2013 through 2015 per current law

Education Aid – for fiscal 2012 only, provides an additional grant to ensure that direct education aid to a county does not decrease more than 6.5% as compared to the prior year, contingent on funding in the budget bill

Aging Schools Program – permanently authorizes the use of general obligation bonds or general funds to support the grants to county boards of education

Children in State-supervised Care – authorizes the Department of Juvenile Services (DJS) and the Department of Human Resources to charge local school systems for a portion of the costs to educate children in State custody who are placed in nonpublic educational programs; or in DJS committed programs and residential facilities; payment is required if the child was included in the county's enrollment count for State aid purposes; clarifies that the board of education pays the costs

Maryland Higher Education Commission – authorizes the commission to charge application fees from an institution of postsecondary education seeking approval of academic program actions, *with an exemption for programs at regional higher education centers*

Cade Formula for Community College Aid – modifies the percentage of public four-year per student funding beginning in fiscal 2013; formula reaches 29% in fiscal 2023

Community College Statewide and Health Manpower Grants – beginning in fiscal 2012, funding is limited to the amount provided in the annual State budget; colleges will be reimbursed on a pro-rata basis for qualifying out-of-county fees if annual appropriation is insufficient to cover the complete cost; *establishes that a community college may charge the student the out-of-county rate and is then required to reimburse the student the amount the college is reimbursed by the State*

Baltimore City Community College – modifies the percentage of public four-year per student funding beginning in fiscal 2016; formula reaches 68.5% in fiscal 2023

Sellinger Formula for Nonpublic Institutions of Higher Education – modifies the percentage of public four-year per student funding beginning in fiscal 2013; formula reaches 15.5% in fiscal 2021

Specifies that students enrolled in programs that are part of an agreement with a for-profit entity are not included in the full-time equivalent student count for the purposes of the Sellinger Formula for Nonpublic Institutions of Higher Education

Accounting for Scholarship Funds – creates a special fund to receive unexpended funds in certain scholarship programs so that the funds may be used in the following fiscal year for need-based aid, as required by current statute

Distinguished Scholar Program – prohibits the Maryland Higher Education Commission from awarding any new grants for the 2011-2012 academic year or any year thereafter; program is repealed effective July 1, 2015

Library Aid – sets per capita funding for local library grants at \$14 through fiscal 2016 and increases rate to reach \$15 in 2019; sets per capita funding for regional resource centers at \$6.75 through fiscal 2016 and increases rate to reach \$7.50 in 2019; sets per capita funding for the State Library Resource Center at \$1.67 through fiscal 2016 and increases rate to reach \$1.85 in 2019

Maryland Heritage Areas Authority – for fiscal 2012, authorizes that, of the Program Open Space funds already transferred to the Department of Planning, an additional \$500,000 of that transferred amount may be used to support operating expenses

Vital Records – increases the fee for a birth certificate to \$24 (from current level of \$12) and for a file search to \$20 (from \$10)

Developmental Disabilities Administration – strikes a provision that would alter the schedule by which community providers are paid for the services provided

Youth Camp Accreditation – strikes a provision that would require youth camps be accredited by a private accreditation organization that is certified by the Department of Health and Mental Hygiene

Graduate Medical Education – strikes a provision that would authorize the Health Services Cost Review Commission to establish an alternative method for financing, as part of hospital rates, the costs of Graduate Medical Education

Medicaid Hospital Assessments – permanently requires Medicaid budgetary savings of \$389.8 million to be generated by a combination of hospital assessments, remittances, and reduced hospital or other program expenditures; modifies the existing assessment which supports the 2007 expansion of Medicaid to equal 1.25% of net regulated hospital patient revenues; and expands the base on which the assessment is calculated to include publicly operated specialty hospitals

Nursing Facility Quality Assessment – increases the assessment from 4.0 to 5.5% of nursing facility operating revenue

Food Service Facility Fees – authorizes all county boards of health to establish fees for food service facilities based on the actual cost of licensing and conducting related food safety inspections

Injured Workers' Insurance Fund – includes the Injured Workers' Insurance Fund among the entities required to pay the insurance premium tax

Authorizes that payments in lieu of premium tax paid by a nonprofit health service plan are directed to the Senior Prescription Drug Assistance Program, the Kidney Disease Program, and the Community Health Resources Commission; for fiscal 2012 and 2013, funding for the Community Health Resources Commission is not less than \$3 million; for fiscal 2014 and thereafter, the Community Health Resources Commission is to be funded at not less than \$8 million

Maryland Environmental Service – authorizes the creation of project contingency reserve accounts and establishes limits on the amounts that may be retained in reserve

Payment-in-lieu-of-taxes to local jurisdictions – strikes provisions that would repeal payments from timber sales and Deep Creek Lake revenues; suspends payments from park earnings for fiscal 2012 and 2013

Use of Program Open Space Funds – for fiscal 2012 and 2013, allows the use of \$1.2 million of State land acquisition funds for administration in the Department of Natural Resources, the Department of General Services, and the Department of Planning

Information Technology (IT) Project Planning and Budgeting – creates two programs for major IT projects, planning and implementation, to improve project planning, cost estimation, and budgeting

Telecommunications Recoveries – permanently directs money received as commissions, rebates, refunds, rate reductions, or telecommunication bypass agreements to the general fund instead of the Major Information Technology Development Project Fund

Special Fund Interest Earnings – permanently directs interest earnings on special fund accounts to the general fund; 63 specified accounts are exempted, including the Transportation Trust Fund

Use of Proceeds from Sale of Helicopters – requires that proceeds be deposited into the Annuity Bond Fund to pay the debt service associated with the procurement of the new fleet

Creates a separate prescription drug benefit program for existing and future retirees; *the retiree plan will mirror the plan for active employees in terms of co-pays and will have an out-of-pocket maximum of \$1,500 individual/\$2,000 family; retirees will pay 25% of*

the monthly premium vs. 20% for active employees; requires the discontinuation of a State plan for Medicare-eligible retirees in fiscal 2020; for new employees, extends the period to qualify for the retiree health benefit from 5 to 10 years and extends the period before the maximum benefit is earned from 16 to 25 years

Medicare Prescription Rebates – beginning in fiscal 2011, permanently directs subsidies received under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 or similar federal subsidy to the general fund; current law directs the subsidies to the Postretirement Health Benefits Trust Fund beginning in fiscal 2013

Restructures pension benefits and contributions:

- Changes affecting current members in the Teachers' and Employees' Pension Systems: requires a 7.0% employee contribution rate and a benefit multiplier of 1.8%; *for all service earned after July 1, 2011, annual cost-of-living adjustments are capped at 2.5% in any year when investment returns are achieved, otherwise 1.0%*
- Changes affecting new members (hired after July 1, 2011) in the Teachers' and Employees' Pension Systems: establishes a new Reformed Contributory Pension Benefit; requires a 7.0% employee contribution rate and a benefit multiplier of 1.5%; increases the vesting period for new members to 10 years; *provides for early retirement benefits at age 60 with 15 years of service and full benefits under the Rule of 90 or at age 65 with 10 years of service; average final compensation is calculated on 5 consecutive years with the highest average; annual cost-of-living adjustments are capped at 2.5% in any year when investment returns are achieved, otherwise 1.0%*
- *Changes affecting current members in other systems: annual cost-of-living adjustments are capped at 2.5% in any year when investment returns are achieved, otherwise 1.0%;* employee contributions in the Law Enforcement Officers' Pension system increase from 4.0 to 6.0% in fiscal 2012 and from 6.0 to 7.0% in 2013
- Changes affecting new members (hired after July 1, 2011) in other systems: contributions in the Law Enforcement Officers' Pension system increase from 4.0 to 6.0% in fiscal 2012 and from 6.0 to 7.0% in 2013; the vesting period in all systems (except Judges') is 10 years; normal retirement for members of the Police system is at age 50 or 25 years of service
- In the State Police and Law Enforcement Officers' Pension System, the interest paid on Deferred Retirement Option Program account balances is modified to 4.0% compounded annually for accounts opened after July 1, 2011

- New employees of non-contributory participating governmental units are excluded from the Reformed Contributory Pension Benefit
- *Current members of the Alternate Contributory Pension Selection who are separated from employment for 4 years or less, do not retire, and do not withdraw their accumulated contributions resume participation in the Alternate plan upon return to State employment; for members on military service, membership in the Alternate plan resumes provided they also resume eligible employment within 1 year of leaving military service*
- Authorizes the State Retirement Agency to rehire retired employees, with no loss of retirement benefits, for up to one year to implement the pension reform plan
- Caps reinvestment into the State Retirement and Pension System to maximize affordability of the system
- Strikes a provision that caps the State's required contribution to 20.0% of payroll in any given year

State Retirement Agency – beginning in fiscal 2012, charges local employers on whose behalf the State makes retirement payments a per-employee administrative fee; provision does not apply to local library boards

Admissions and Amusement Tax on Electronic Bingo and Tip Jars – for fiscal 2012, specifies the use of \$500,000 credited to the Special Fund for the Preservation of Cultural Arts

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund – for fiscal 2012 through 2016, specifies that \$59.5 million of the motor fuel tax and the short-term vehicle rental tax that would otherwise go to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is directed to the general fund

Transportation Trust Fund (TTF) Revenues – transfers \$60.0 million to the general fund and \$40.0 million to the Rainy Day Fund; requires repayment within five years of any future transfers from the department's share to the general fund; requires that the proceeds of the sales tax which currently accrue to the TTF are directed to the general fund; modifies the TTF share of the corporate income tax; adds language to ensure the debt service payments to bondholders; and requires that the general fund share of Highway User Revenues (HUR) is returned to the TTF for the department. The fiscal 2012 transfer from the TTF to the general fund is repaid over the course of fiscal 2014 to 2016. For fiscal 2012 only, increases the amount of HUR provided to the counties and municipalities by \$5.0 million and \$8.3 million, respectively

Sales Tax Vendor Discount – permanently caps the monthly vendor credit at \$500

Property Valuation – requires the counties and Baltimore City to reimburse the State for 90% of the costs of real and business personal property valuation and related information technology expenditures in fiscal 2012 and 2013 and 50% of the costs thereafter

Urban Enterprise Zone Tax Credit – strikes a provision that would reduce the value of new credits authorized under this program

InterCounty Connector – extends until fiscal 2013 the requirement that the repayment to the Maryland Transportation Authority be fully met

BWI Fire and Rescue Department – strikes a provision that would require the Maryland Aviation Administration to levy a fee on ambulance transports conducted by the BWI Fire and Rescue Department

Maryland Transit Administration – requires that the Administration collect fares and other revenues at the level necessary to meet the required 35% farebox recovery

Speed Camera Revenues – specifies that, in fiscal 2013 through 2015, \$3 million is to be used for the purchase of State police vehicles and related equipment

Transportation Trust Fund Revenues – increases the Certificate of Title fee from \$50 to \$100 (except for purchases by rental car companies for fiscal 2012 through 2014) and the vanity tag fee from \$25 to \$50; directs the increase in Certificate of Title fee revenue to the Transportation Trust Fund; maintains current law for the Motor Vehicle Administration cost recovery; increases the dealer processing charge from \$100 to \$200 for three years and then to \$300 thereafter; and lowers the vendor credit for vehicle sales to the lesser of \$12 or 0.6% of the gross excise tax the dealer collects

Verification of Tax Payments (Tax Clearance) – prohibits the Maryland Department of Transportation from renewing a vehicle registration or drivers license if the applicant has not paid all undisputed taxes and unemployment insurance contributions due; requires that notice be given upon renewal notification

Dangerous Driver Fees – strikes a provision that would require the Motor Vehicle Administration to assess an annual \$100 fee against a holder of a driver's license who has amassed more than five points in a two-year period and \$500 for each conviction of driving under the influence or while impaired; fee is assessed annually for three years

Education Aid Adequacy Study – modifies the timing and specifies the requirements of the adequacy study as required under the Bridge to Excellence Act of 2002; the first phase of the study is to begin no later than June 30, 2014, and the final phase is to be completed by December 1, 2016; the study shall incorporate the Common Core curriculum and assessment results

Modifies a provision in the Budget Reconciliation and Financing Act of 2010 to authorize the State Board of Elections to use certain special funds in fiscal 2011 or 2012

Repeals a prohibition on expenditure of funds related to studying, developing, or constructing a Maglev system in the State

Jack F. Tolbert Private Career School Student Grant Program – strikes a provision that would repeal this program effective June 1, 2011

Maryland-mined Coal Tax Credit – strikes a provision that would repeal the credit effective June 1, 2011

Fund balance transfers:

	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>
Maryland Health Care Commission Fund	\$1,000,000	
<i>State Used Tire Cleanup and Recycling Fund</i>	<i>750,000</i>	
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	970,000	
Forest or Park Reserve Fund	256,000	
Maryland Not-For-Profit Development Center Fund	250,000	\$125,000
Board of Veterinary Medical Examiners Fund	150,000	
Circuit Court Real Property Records Improvement Fund		10,000,000
State Insurance Trust Fund		2,000,000
Spinal Cord Injury Research Trust Fund		500,000
State Board of Pharmacy Fund		237,888
State Board of Examiners of Psychologists Fund		44,888
<i>Senior Prescription Drug Assistance Program</i>		<i>1,500,000</i>
<i>Baltimore City Community College</i>		<i>2,297,142</i>
Bay Restoration Fund		90,000,000
Special Loan Programs Fund (Department of Housing and Community Development)		2,200,000
Neighborhood Business Development Fund		2,050,000
Homeownership Programs Fund		1,500,000
Waterway Improvement Fund		1,090,000
Transfer Tax – Program Open Space	5,591,172	94,491,115

Transfers \$1.8 million in fiscal 2012 from various special funds to recognize savings from positions abolished under the Voluntary Separation Program

Authorizes the use of \$1 million in fiscal 2012 revenue from the State 9-1-1 fee on wired lines for the State Police Computer Aided Dispatch/Records Management System

Authorizes use of funds in the Senior Prescription Drug Assistance Program in fiscal 2011, \$2.5 million for Medicaid; and in fiscal 2012 and 2013, \$3.0 million each year for the Kidney Disease Program

Requires the transfer of \$3.6 million during fiscal 2011 from the Racetrack Facility Renewal Account of the video lottery terminals program to the Maryland Economic Development Corporation; if fiscal 2011 revenues are insufficient, proceeds from fiscal 2012 may also be used; authorizes payment in fiscal 2012 of up to \$400,000 to the Maryland Economic Development Corporation for interest expense, fees, and administrative costs

Transfers \$6.8 million in fiscal 2012 from the Motor Vehicle Administration to recognize savings across the Department of Transportation from positions abolished under the Voluntary Separation Program

Cigarette Restitution Funds – strikes a provision that would authorize the transfer by budget amendment of certain funds in the Cigarette Restitution Fund for Medicaid

Requires that savings in special funds that are generated by electricity spending reductions and reductions to positions required in the fiscal 2012 budget be transferred to the general fund

For fiscal 2012 through 2014, modifies the distribution of proceeds from the Regional Greenhouse Gas Initiative so that up to 50% is directed to low-income energy assistance; at least 20% is for efficiency and conservation programs (of which at least one-half is for low- and moderate-income programs); at least 20% is for renewable and clean energy programs; and up to 10% (to a maximum of \$4 million) is for administration

Authorizes that \$124.4 million of the State's fiscal 2012 payment to local school systems under the education foundation formula is to be paid on June 1, 2011; State funds are available due to distribution of federal Education Jobs Fund money to school systems during fiscal 2011

Public Schools Maintenance of Effort – specifies that a county, including Baltimore City, that shifts to the board of education recurring costs for retiree health benefits in fiscal 2011 may deduct a reduction in those costs from the required maintenance of effort in fiscal 2012; to the extent Baltimore City exercises this option, local retiree health payments in fiscal 2011 shall be included in the calculation of the Guaranteed Tax Base program for fiscal 2012, contingent on funding in the budget bill

Public Schools Maintenance of Effort Penalty Calculation – for fiscal 2012, specifies that any penalty imposed by the State Board of Education may not be more than the net increase in State aid over fiscal 2011 regardless of the fund source

Strikes a provision that would require the Maryland Insurance Administration, with the Health Services Cost Review Commission, to develop a method to consider hospital rates and assessments in its review and approval of health insurance premiums; budget bill language was added

Injured Workers Insurance Fund – to ensure that \$6 million is realized by the general fund in fiscal 2012, any difference between the payment due under the application of the premium tax and \$6 million is contingent on the enactment of legislation which modifies IWIF's status in the State personnel system

General Mandate Relief – strikes a provision that would have provided the Governor discretion to not provide an increase in funding over the fiscal 2012 appropriation for most mandates and formulas for fiscal 2013 through 2016

Maryland Automobile Insurance Fund (MAIF) – in fiscal 2012 only, requires the transfer of \$4 million contingent on the enactment of legislation which modifies MAIF's status in the State personnel system

Prohibits, for fiscal 2012, the payment of rates in excess of those in effect on January 21, 2011, to group homes and nonpublic placements

Prohibits State employees from receiving merit increases before April 1, 2014, except as necessary to retain faculty at the University System of Maryland, Morgan State University, and St. Mary's College of Maryland; allows pay increases pursuant to a collective bargaining agreement negotiated by the Maryland Transit Administration; *authorizes increases for operationally critical personnel in fiscal 2012 only and requires reports from higher education and the Department of Budget and Management on the definition of "operationally critical" and the increases awarded under this provision*

Authorizes the payment of retention bonuses in fiscal 2011 and 2012 only to State employees employed by the Department of Health and Mental Hygiene at a facility that is scheduled to be closed

Requires *the Judicial Compensation Commission*, the Governor's Salary Commission and the General Assembly Salary Commission to make specific recommendations regarding benefit and member contribution levels

Requires the State Retirement and Pension System to report annually on the funding progress of the several systems; requires the Secretary of Budget and Management to report biennially on the systems' financial health, to include recommendations concerning modifications to the funding methods or benefits structure

Voluntary Separation Program at Institutions of Higher Education – strikes a provision that would prohibit creation of positions and require transfer of funds if the University System of Maryland, Morgan State University, and St. Mary’s College of Maryland implement a Voluntary Separation Program

Requires the Developmental Disabilities Administration to hold providers harmless in fiscal 2012 under the plan to eliminate payments for absence days in favor of a rate increase

Specifies that a memorandum of understanding negotiated between the State and an exclusive collective bargaining unit between January 1, 2011, and the effective date of this bill complies with relevant State law

Senate Provisions Stricken by the Conference Committee

Attorney Disciplinary Fund – establishes the fund as a special fund held by the Treasurer and appropriated in the State budget to fund the budget of the Attorney Grievance Commission; authorizes the Court of Appeals to set the annual fee and to transfer the fund balance in fiscal 2012 only

**Conference Committee
Status as of April 7, 2011
Fiscal 2011-2012**

	<u>FY 2011</u>	<u>FY 2012</u>
Starting General Fund Balance	\$344,008,024	\$647,056,051
Revenues		
BRE Estimated Revenues – March 2011	\$13,162,729,065	\$13,597,750,298
Supplemental Budget No. 1	0	34,152
Prior Budget Reconciliation Legislation	317,372,369	0
Budget Reconciliation Legislation – Revenues	23,000,000	157,101,818
Budget Reconciliation Legislation – Transfers	8,967,172	227,734,122
Additional Revenues	53,060,284	85,867,688
Subtotal Revenues	\$13,565,128,890	\$14,068,488,078
Subtotal Available Revenues	\$13,909,136,914	\$14,715,490,629
Appropriations		
General Fund Appropriations	\$13,172,689,488	\$15,133,720,752
Supplemental Budget No. 1	33,723,269	15,134,121
Deficiencies	93,759,375	0
Legislative Reductions/Contingent Legislation	-223,269	-452,682,450
Estimated Agency Reversions	-37,868,000	-30,435,000
Subtotal Appropriations	\$13,262,080,863	\$14,665,737,423
Closing General Fund Balance	\$647,056,051	\$49,806,706

BRE: Board of Revenue Estimates

Fiscal Note

Summary of the Budget Bill – House Bill 70

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Education Funds</u>	<u>Total Funds</u>
Governors Allowance					
Fiscal 2011 Budget	\$13,228,580,863	\$6,026,244,100	\$10,308,767,792	\$3,559,053,179	\$33,122,645,934 ⁽¹⁾
Fiscal 2012 Budget	15,103,285,752	6,503,489,687	9,403,159,299	3,664,538,214	34,674,472,952 ⁽²⁾
Supplemental Budget No. 1					
Fiscal 2011 Deficiencies	\$33,723,269	\$11,402,853	\$71,953,947	\$35,200,000	\$152,280,069
Fiscal 2012 Budget	15,134,121	38,782,985	19,526,488	0	73,443,594
Subtotal	\$48,857,390	\$50,185,838	\$91,480,435	\$35,200,000	\$225,723,663
Budget Reconciliation and Financing Act of 2011					
Fiscal 2011 Deficiencies	\$0	\$0	\$0	\$0	\$0
Fiscal 2012 Contingent Reductions	-389,433,691	75,527,361 ⁽³⁾	-2,293,207	-3,631,029	-319,830,566
Subtotal	-\$389,433,691	\$75,527,361	-\$2,293,207	-\$3,631,029	-\$319,830,566
Conference Committee Reductions					
Fiscal 2011 Deficiencies	-\$223,269	\$0	\$0	\$0	-\$223,269
Fiscal 2012 Budget	-63,248,759	-153,321,912	-79,341,231	0	-295,911,902
Total Reductions	-\$63,472,028	-\$153,321,912	-\$79,341,231	-\$3,631,029	-\$296,135,171
Appropriations					
Fiscal 2011 Budget	\$13,262,080,863	\$6,037,646,953	\$10,380,721,739	\$3,594,253,179	\$33,274,702,734
Fiscal 2012 Budget	14,665,737,423	6,464,478,121	9,341,051,349	3,660,907,185	34,132,174,078
Change	\$1,403,656,560	\$426,831,168	-\$1,039,670,390	\$66,654,006	\$857,471,344

⁽¹⁾ Reflects \$637.7 million in proposed deficiencies, including \$93.8 million in general funds, -\$19.5 million in special funds, and \$563.4 million in federal funds. Reversion assumptions total \$37.9 million, including \$30.0 million in unspecified reversions and \$7.9 million in targeted reversions.

⁽²⁾ Reflects estimated general fund reversions of \$30.0 million and \$0.4 million in targeted reversions. Across-the-board reductions in the budget bill total \$54.1 million, including \$31.3 million in general funds, \$17.1 million in special funds, \$2.2 million in federal funds, and \$3.5 million in higher education funds.

⁽³⁾ Includes \$100.9 million in special funds that will be added back to the budget by budget amendment to replace general fund reductions, specifically including \$11.6 million in the Department of Health and Mental Hygiene (DHMH) Kidney Disease Treatment Services program; \$13.0 million for DHMH Nursing Facility Assessments; \$17.5 million from DHMH Medicaid Hospital Assessments; \$0.5 million from using the transfer tax for Maryland Department of Planning administration expenses; \$3.5 million in the Departments of Human Resources and Juvenile Services, and the Maryland State Department of Education (MSDE) for nonpublic placements; \$16.6 million in MSDE and the Maryland Higher Education Commission (MHEC) from local charges for retirement agency administrative costs; \$34.8 million in the State Department of Assessments and Taxation and Department of Information and Technology from a 90% cost shift to the locals for property valuation; \$1.0 million transfer of 911 fee revenue to fund the Department of State Police CAD/RMS project; \$1.7 million in the Department of Natural Resources to use special funds for administrative costs; \$0.3 million in MHEC to use moving violation surcharge funds for the Riley Scholarship; \$0.3 million in MHEC from fees charges for conducting program reviews; and \$50,000 in the Comptroller from a processing fee for payroll garnishments.

State Aid to Local Governments in Conference Committee Budget Plan

Fiscal 2012

(\$ in Thousands)

	Governor's Allowance Total	Change From FY 2011	Additions to Local Aid		Revised Total	Revised Change From FY 2011
			Education Aid	Highway User Revenues		
Allegany	\$103,651	-\$6,892	\$849	\$533	\$105,033	-\$5,510
Anne Arundel	424,744	12,561	3,647	888	429,280	17,096
Baltimore City	1,172,535	-18,503	9,662	0	1,182,197	-8,841
Baltimore	690,873	9,331	6,827	754	698,453	16,912
Calvert	103,769	-4,979	1,020	218	105,007	-3,741
Caroline	52,199	-814	497	228	52,924	-89
Carroll	178,182	-1,617	1,742	703	180,627	828
Cecil	126,134	-2,193	1,251	345	127,730	-597
Charles	190,470	3,318	1,914	309	192,693	5,541
Dorchester	40,503	-609	387	263	41,153	41
Frederick	269,088	6,211	2,737	1,156	272,980	10,103
Garrett	33,390	-2,505	246	237	33,873	-2,022
Harford	259,652	-3,943	2,710	652	263,015	-580
Howard	296,407	2,758	2,656	283	299,346	5,697
Kent	13,587	-304	89	128	13,803	-87
Montgomery	801,722	33,947	6,559	1,985	810,266	42,490
Prince George's	1,055,629	-32,938	10,284	2,241	1,068,153	-20,414
Queen Anne's	41,992	583	381	155	42,527	1,119
St. Mary's	112,181	-3,066	1,146	167	113,495	-1,753
Somerset	33,629	-460	283	119	34,031	-59
Talbot	18,084	276	134	283	18,500	692
Washington	184,557	7,765	1,887	718	187,162	10,369
Wicomico	138,517	-1,887	1,359	509	140,384	-20
Worcester	34,034	1,226	212	392	34,638	1,830
Unallocated	84,857	9,480	0	0	84,857	9,480
Total	\$6,460,385	\$6,744	\$58,479	\$13,262	\$6,532,126	\$78,485

New Costs for Local Governments in Conference Committee Budget Plan

Fiscal 2012

(\$ in Thousands)

County	FY 2011-2012 Change in Aid	New Local Costs for FY 2012			Net Impact from FY 2011	Contingent on SB 994	
		Retirement Administrative Costs	Property Valuation (90% County)*	Education for Children in State Care*		Additional Aid**	Net Impact from FY 2011 with SB 994
Allegany	-\$5,510	\$213	\$632	\$0	-\$6,355	\$780	-\$5,575
Anne Arundel	17,096	1,398	3,295	0	12,403	0	12,403
Baltimore City	-8,841	1,497	3,551	0	-13,889	12,224	-1,665
Baltimore	16,912	2,006	4,560	0	10,346	0	10,346
Calvert	-3,741	310	620	0	-4,671	0	-4,671
Caroline	-89	114	245	0	-448	0	-448
Carroll	828	526	990	0	-688	0	-688
Cecil	-597	336	696	0	-1,629	0	-1,629
Charles	5,541	497	1,010	0	4,033	0	4,033
Dorchester	41	95	334	0	-388	0	-388
Frederick	10,103	757	1,298	0	8,048	0	8,048
Garrett	-2,022	91	411	0	-2,524	641	-1,884
Harford	-580	794	1,467	0	-2,841	0	-2,841
Howard	5,697	1,162	1,624	0	2,912	0	2,912
Kent	-87	52	188	0	-326	0	-326
Montgomery	42,490	2,934	5,203	0	34,353	0	34,353
Prince George's	-20,414	2,323	4,458	0	-27,195	8,820	-18,375
Queen Anne's	1,119	152	360	0	607	0	607
St. Mary's	-1,753	299	700	0	-2,752	0	-2,752
Somerset	-59	68	249	0	-375	0	-375
Talbot	692	84	294	0	315	0	315
Washington	10,369	415	914	0	9,041	0	9,041
Wicomico	-20	332	735	0	-1,087	0	-1,087
Worcester	1,830	160	978	0	692	0	692
Unallocated	9,480	0	0	5,200	4,280	0	4,280
Total	\$78,485	\$16,614	\$34,811	\$5,200	\$21,860	\$22,464	\$44,324

*Proposed budget assumed that counties would pay 90% of property valuation costs and that the school boards would share the costs associated with children in State care.

**Additional aid is provided through grants that cap decreases in education aid from fiscal 2011 to 2012 at 6.5% (Allegany and Garrett counties), the guaranteed tax base (Baltimore City), and the disparity grant (Prince George's County).

Transportation Trust Fund Actions Relative to HB 70/HB 72

1. Transportation Revenue Actions

- Increase the certificate of title fee from \$50 to \$100 for all vehicles, except rental cars which remain at \$50 for three fiscal years and then increase to \$100. Half of the revenue from the certificate of title fee is dedicated to the Transportation Trust Fund (TTF) (approximately \$48.6 million in fiscal 2012).
- Increase the vanity tag fee from \$25 to \$50 (approximately \$2.0 million).
- Increase the dealer processing charge from \$100 to \$200 for three fiscal years and then \$300 thereafter (approximately \$6.0 million in fiscal 2012).
- Reduces the dealer vendor credit from the lesser of \$24 or 1.2% to the lesser of \$12 or 0.6% (approximately \$2.4 million).

2. Local Funding

- For fiscal 2012 only, an additional \$13.3 million is transferred to local jurisdictions from the Maryland Department of Transportation's (MDOT) share of Highway User Revenues (HUR). The municipalities receive an additional \$8.3 million and the counties an additional \$5.0 million.

3. Reconcile General Fund/Transportation Trust Fund Transfers and Revenues

- Reconcile the TTF and general fund revenues and transfers to end the general fund transfer of TTF revenues and break the current relationship between the general fund and the TTF. In order to accomplish this, the TTF share of the general sales tax and a portion of the corporate income tax is sent to the general fund. The TTF receives the general fund share of HUR.

4. Fiscal 2012 Actions

- Concur with the Administration's proposal to transfer \$100 million, \$60 million to the general fund and \$40 million to the Rainy Day Fund.
 - The \$40 million is restored through the new revenue received by MDOT in fiscal 2012.
 - The \$60 million is repaid from the general fund in fiscal 2014 to 2016 as part of the reconciliation of the general fund and TTF transfers.
- Adopt a statutory provision to require a five-year repayment plan for any future transfers of TTF revenues to the general fund, in lieu of a constitutional firewall.

Conference Committee Pension Reform

1. Average Final Compensation

For all employees hired after July 1, 2011, the calculation of an employee's final compensation figure will use five consecutive years with the highest average in all pension systems.

2. Employee Contributions and Benefits – Current Employees

The contributions of current employees in the Employees' and Teachers' Pension Systems (EPS/TPS) will increase from 5.0 to 7.0% of salary, but they will continue receiving the 1.8% multiplier for each year of service. The contribution rates of current Law Enforcement Officers Pension System (LEOPS) employees increase to 6.0% in fiscal 2012 and to 7.0% in fiscal 2013, but the 2.0% multiplier is unchanged.

3. Employee Contributions and Benefits – New Employees

A new system is opened for employees and teachers hired after July 1, 2011, whose members shall contribute 7.0% of salary to earn a 1.5% multiplier for each year of service. The LEOPS contribution rate for new employees hired during fiscal 2012 will be 6.0% and will be 7.0% in fiscal 2013 and beyond, in exchange for a 2.0% multiplier.

4. Vesting Period for Employees

The time requirement for new employees hired after July 1, 2011, to vest in all systems (except Judge's) will be 10 years.

5. Early Retirement Allowance EPS/TPS – New Employees

To be eligible for early retirement, new employees and teachers hired after July 1, 2011, must be at least age 60 and have 15 years of service to be eligible for early retirement, with a corresponding reduction to the benefit of 0.5% for every month early the employee retires before age 65.

6. Normal EPS/TPS Retirement Eligibility – New Employees

To be eligible for normal retirement, new employees and teachers hired after July 1, 2011, must either be age 65 with at least 10 years of service, or qualify under the *Rule of 90*, which permits normal retirement if the sum of the employee's age and years of service equals 90 or more.

7. Normal Retirement Eligibility – Other Systems – New Employees

New State Police hired after July 1, 2011, must be at least age 50 or have 25 years of service to be eligible for normal retirement.

8. Cost-of-living Adjustments

Cost-of-living adjustments for all service credit earned by current and new employees after July 1, 2011, in all systems will be capped at 2.5% in any year the State Retirement and Pension System (SRPS) achieves its assumed rate of return and capped at 1.0% if the investment return target is not met.

9. Deferred Retirement Option Program

The State will maintain a Deferred Retirement Option Program benefit, but all new accounts begun after July 1, 2011, will earn 4% compounded annual interest.

10. Compensation Commissions

The Judicial Compensation Commission, the Governor's Salary Commission, and the General Assembly Compensation Commission are tasked with reviewing the features of their respective systems and proffering recommendations to set an appropriate benefit and member contribution level and to enhance the sustainability of each system.

11. Reinvestment of Savings

The employer contribution in fiscal 2012 and 2013 is reduced by \$120 million, and a cap on the reinvestment of savings from pension reform was set at \$300 million for any given fiscal year.

12. Funded Status

The above parameters were determined to achieve the goal of raising the SRPS' funded status to at least 80% in 10 years.

**Conference Committee
Retiree Prescription Plan Changes**

	Fiscal 2011 Plan for Both Actives and Retirees	BRFA as Introduced Administration Proposal	Retiree Copays Mirror Active Plan but Out of Pocket Max Is Higher and Share of the Premium Increases
Co-pays Generic Preferred brand Non-preferred brand	\$5 \$15 \$25	n/a n/a n/a	\$10 \$25 \$40
Deductible	\$0	\$310	\$0
Coinsurance	\$0	25%	\$0
Out-of-pocket cap for retiree only/ retiree and spouse	\$700/\$700	\$4,550/\$9,100	\$1,500/\$2,000
Annual retiree premium retiree only retiree and spouse	\$474 \$787	\$388 \$604	\$593 \$984
Monthly retiree premium retiree only retiree and spouse	\$39.50 \$65.58	\$32.33 \$50.33	\$49.42 \$82.00
Retiree share of total premium	20%	20%	25%
General fund savings	n/a	\$21.9 million	\$13.9 million