

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 945 (Delegate McDonough)
Appropriations

Education Funding - Transfer of Funds from Land Preservation Programs

This bill requires general and special funds for the Maryland Agricultural Land Preservation Foundation (MALPF), Program Open Space (POS), and Rural Legacy Program to be transferred to the General State School Fund and used for specified educational purposes if specified State education aid is not fully funded in the Governor's proposed budget.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Most State aid for education is mandated. However, to the extent funds are not provided, general and special fund revenue is transferred from land preservation and noneducation programs to State education aid.

Local Effect: State aid for education may increase to the extent it was not fully funded. Local funds for land preservation may decrease to the extent funds are redirected to education.

Small Business Effect: None.

Analysis

Current Law/Background: The Maryland State Constitution places a high priority on public education by requiring "...a thorough and efficient system of free public schools."

The General State School Fund consists of all funding appropriated by the Maryland General Assembly to aid in the support of public schools, with some specified exceptions. General State School Funds must support a number of specified programs and entities, including the Maryland State Department of Education, the Maryland Teacher's Retirement System, the education of disabled children, career and technology education, physical education and recreation, case and guidance service for individuals with disabilities, equivalence examinations, public libraries, adult education, student transportation, school building construction, and special education.

Approximately 95% of State education aid is mandated through statutory formulas and cannot be reduced in the State budget by the Governor or the General Assembly except through enacted legislation.

With approval by the Board of Public Works, the Governor may reduce up to 25% of any appropriation to the Executive Branch in the State budget except for appropriations for (1) debt service payments for State debt; (2) public schools including the School for the Deaf; (3) the Maryland School for the Blind; and (4) the salary of a public officer during the term of office.

The Department of Natural Resources (DNR) administers POS and the Rural Legacy Program. POS was established in 1969 to provide funds for State and local acquisition and development of public outdoor recreational sites, facilities, and open space. As of January 7, 2009, the State POS share had preserved 292,866 acres and the local POS share had preserved 43,310 acres. The Rural Legacy Program was established in 1997 to supplement State land preservation programs in order to preserve key areas before escalating land values render protection impossible or before the land is lost to development. As of February 18, 2009, the program had protected 61,311 acres of land.

MALPF was established in 1977 and is part of the Maryland Department of Agriculture. MALPF purchases agricultural preservation easements that restrict development on prime farmland and woodland in perpetuity. As of January 2009, MALPF had cumulatively purchased or had a pending contract to purchase permanent conservation easements on 2,005 farms covering 274,950 acres.

The Governor's proposed fiscal 2010 budget reconciliation legislation (HB 101/SB 166) includes provisions reducing State education aid by \$102.5 million. The Governor has announced plans to use a portion of Maryland's share of federal American Recovery and Reinvestment Act funds to restore the proposed reductions.

The Governor's proposed fiscal 2010 budget (general and special funds only) for the four programs affected by the bill is provided in **Exhibit 1**. As illustrated, these land

preservation pay-as-you-go (PAYGO) programs receive a total of \$61.6 million in special funds and the General State School Fund receives a total of \$5.4 billion in general funds.

State Fiscal Effect: In accordance with law, annual POS funds are already redirected to other operating purposes. For example, of the special fund revenues allocated to POS annually \$21.0 million are reallocated to State Forest and Park Service operations and \$3.0 million are reallocated to the Maryland Heritage Authority. Therefore, the bill may have a substantial impact on funding for several nonland preservation programs.

Since most State aid for education is mandated and cannot be reduced in the State budget except through enactment of separate legislation, funding reductions are not anticipated. To the extent a reduction does occur, the bill results in a redirection of funds to the General State School Fund and land preservation and noneducation operating funds decrease.

Exhibit 1
Proposed Fiscal 2010 General and Special Operating Funds
(\$ in Millions)

<u>Program</u>	<u>General Funds</u>	<u>Special Funds</u>
Department of Natural Resources		
POS (PAYGO)	\$0.0	\$26.2
Rural Legacy Program (PAYGO)	0.0	11.8
Maryland Department of Agriculture		
MALPF (PAYGO)	0.0	23.6
Subtotal	\$0.0	\$61.6
State Aid to Education	5,405.6	0.0
Total	\$5,405.6	\$61.6

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Natural Resources, Maryland State Department of Education, Department of Legislative Services

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