

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

House Bill 1159 (Delegate Costa, *et al.*)
 Appropriations

Budget Reduction Act

This bill executes a variety of actions to bring the budget closer to structural balance by transferring and redirecting special fund revenues to the general fund and reducing State spending.

The bill takes effect June 1, 2010.

Fiscal Summary

State Effect: General fund revenues increase by \$274.0 million in FY 2011 mostly due to the transfer of \$238.1 million in local highway user revenues to the general fund. General fund expenditures decrease by an estimated \$288.2 million in FY 2011 due to mandate relief and cost control actions, although \$7.4 million of the reductions have already been assumed in the FY 2011 allowance. Other fund types are also affected. **This bill reduces mandated appropriations.** Future years reflect ongoing effects.

| (\$ in millions) | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| GF Revenue | \$274.0 | \$378.9 | \$379.0 | \$380.6 | \$380.3 |
| SF Revenue | (\$34.2) | (\$34.8) | (\$36.0) | (\$37.0) | (\$38.6) |
| GF Expenditure | (\$288.2) | (\$419.1) | (\$504.0) | (\$596.1) | (\$672.1) |
| SF Expenditure | (\$274.0) | (\$377.0) | (\$378.0) | (\$379.1) | (\$380.3) |
| FF Expenditure | (\$4.6) | (\$7.7) | (\$10.9) | (\$14.3) | (\$17.8) |
| Net Effect | \$806.6 | \$1,147.9 | \$1,235.9 | \$1,333.1 | \$1,411.8 |

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Aid for local jurisdictions decreases by \$377.3 million in FY 2011, and enterprise zone tax credit payments to counties decrease local revenues by an additional \$7.6 million. The reductions continue in future years.

Small Business Effect: Minimal overall impact on small businesses statewide. However, some of the bill's provisions could have a meaningful impact on some types of small businesses due to the reduction in funding for various programs. For example, the reduction in funding for the Maryland Agricultural Resource-Based Industry Development Corporation may have a meaningful impact on certain resource-based businesses.

Analysis

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget.

Background: Due to a deteriorating revenue base and spending increases necessary to keep pace with inflation and statutory mandates, the budget forecast for fiscal 2011 prepared for the Spending Affordability Committee in fall 2009 projected a \$2 billion gap between general fund revenues and spending in fiscal 2011. Although the Board of Public Works reduced fiscal 2010 appropriations on three occasions subsequent to the 2009 legislative session, there was also an imbalance between estimated revenues and spending in fiscal 2010. The Governor's plan to balance the fiscal 2010 and 2011 budgets relies on the Budget Reconciliation and Financing Act (BRFA) of 2010 (SB 141/HB 151) to execute many transfers, reductions, and fund swaps. The Administration projects that the BRFA, in conjunction with the annual operating budget, will leave the State with a \$274 million fund balance by the end of fiscal 2011.

State Fiscal Effect: The fiscal 2011 impact of the bill on the State's general fund is estimated in **Exhibit 1**. The table shows that the bill improves the State's general fund position by \$562.2 million in fiscal 2011 through a combination of revenue and expenditure actions.

Exhibit 1
Impact of Budget Reduction Act on General Fund
Fiscal 2011
(\$ in Millions)

| | <u>FY 2011</u> |
|--|-----------------------|
| Revenues | |
| Transfer Local Highway User Revenues | \$238.1 |
| Reduce Dedication to Bay 2010 Trust Fund | 34.2 |
| Other Revenue Measures | <u>1.7</u> |
| Revenue Subtotal | \$274.0 |
| Expenditures | |
| General Fund Mandate Relief | (218.3) |
| Cost Containment | <u>(69.9)</u> |
| Expenditure Subtotal | (\$288.2) |
| General Fund Improvement | \$562.2 |

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 6). The fiscal 2011 to 2015 State effects for each provision, including the general fund impacts and the effects on any other fund types, are included with the discussions. Charts identifying and totaling the fiscal impact of separate provisions by fund type are provided in **Appendix B** (pages 33 to 34).

Local Revenues: The fiscal 2011 impact of the bill on local governments is shown by governmental entity in **Exhibit 2**. The total impact on local aid is \$377.3 million; local revenues also decline by an additional \$7.6 million due the reduction by half of State enterprise zone tax credit payments.

When applicable, the Appendix A discussions of individual provisions include sections describing the local effect of each provision. Fiscal 2011 local impacts are shown by county in **Appendices C1 and C2** (pages 35 and 36).

Exhibit 2
Impact of Budget Reduction Act on Local Governments
Fiscal 2011
(\$ in Millions)

| | |
|---------------------------------------|------------------|
| County/Municipal Aid | (\$319.9) |
| Community College Aid* | (51.9) |
| Local Health Departments | (3.7) |
| Education Aid* (Head Start program) | <u>(1.8)</u> |
| Local Aid Subtotal | (\$377.3) |
| | |
| Enterprise Zone Tax Credit Payments | <u>(7.6)</u> |
| Total Impact on Local Revenues | (\$384.9) |

*Reductions to community colleges and public institutions of higher education proposed in this bill will redirect federal funding under the American Recovery and Reinvestment Act (ARRA) of 2009 from primary and secondary education to higher education. This could reduce the decrease in community college aid and could increase the reduction to primary and secondary education. See Appendix A for a further discussion of ARRA implications.

Additional Information

Prior Introductions: None.

Cross File: SB 840 (Senator Reilly) - Budget and Taxation.

Information Source(s): Allegany, Harford, Montgomery, Prince George's, Talbot, and Wicomico counties; Baltimore City; Town of Berlin; Town of Bladensburg; City of College Park; City of Frostburg; City of Rockville; State Department of Assessments and Taxation; Property Tax Assessment Appeals Board; Baltimore City Community College; Department of Business and Economic Development; Governor's Office for Children; Governor's Office of Crime Control and Prevention; Department of Budget and Management; Department of Human Resources; Department of Natural Resources; Maryland State Department of Education; Maryland Department of the Environment; Maryland Higher Education Commission; Department of Health and Mental Hygiene; Independent College and University Association; Comptroller's Office; Department of Juvenile Services; Department of Labor, Licensing, and Regulation; Maryland Association of Counties; Maryland Municipal League; Department of State Police; Morgan State University; Department of Public Safety and Correctional Services; St. Mary's College; Maryland Department of Transportation; University System of Maryland; University of Maryland Medical System; Department of Legislative Services

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mpc/rhh

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**Appendix A
Table of Contents**

General Fund Revenue Measures

| | |
|--|----|
| Local Share of Highway User Revenues..... | 7 |
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund | 9 |
| Research and Development Tax Credit Program..... | 10 |
| Horse Racing Grants and Impact Aid..... | 11 |
| Maryland Legal Services Corporation | 12 |

Mandate Relief

| | |
|--|----|
| Higher Education..... | 13 |
| Community College Aid Formula..... | 13 |
| Funding for Independent Colleges and Universities..... | 14 |
| Distinguished Scholar Program..... | 15 |
| State Aid for Police Protection..... | 16 |
| Disparity Grants | 17 |
| Department of Health and Mental Hygiene | 18 |
| Cigarette Restitution Fund Mandates | 18 |
| Targeted Local Health Formula | 19 |
| Enterprise Zone Credits..... | 20 |
| Department of Business and Economic Development..... | 22 |
| Maryland State Arts Council..... | 22 |
| Maryland Tourism Development Board Fund | 23 |
| Baltimore City Convention Center and Ocean City Convention Center | 24 |
| Maryland Agricultural and Resource-Based Industry Development Corporation..... | 25 |

Program Elimination and Other Cost Control Measures

| | |
|---|----|
| Residential Child Care Group Home Rates..... | 26 |
| Department of Business and Economic Development..... | 27 |
| Biotechnology Investment Tax Credit | 27 |
| Film Production Rebate Program..... | 28 |
| Legislative Intent to Limit or Eliminate General Fund Support | 29 |
| University System of Maryland and Morgan State University..... | 29 |
| State Funding for Head Start..... | 30 |
| Maryland Zoo in Baltimore..... | 31 |

| | |
|---|-----------|
| Implications of Budget Reduction Act on American Recovery and Reinvestment Act Funds | 32 |
|---|-----------|

Local Share of Highway User Revenues

Provision in the Bill: Transfers \$340,000,000 annually in local highway user revenues to the general fund. Of the remaining highway user revenues, Baltimore City receives 42% of the funding and the counties receive 58%. If the local distribution of 28.5% set by the Budget Reconciliation and Financing Act of 2009 (Chapter 487) does not take effect on July 1, 2011, then the local distributions will be based upon the 30% local share.

Agency: Maryland Department of Transportation

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | \$238.1 | \$340.0 | \$340.0 | \$340.0 | \$340.0 |
| SF Exp | (\$238.1) | (\$340.0) | (\$340.0) | (\$340.0) | (\$340.0) |

State Effect: General fund revenues increase by \$238.1 million in fiscal 2011 and by \$340.0 million annually thereafter. Special fund expenditures decrease correspondingly. Although the bill specifies a transfer of \$340.0 million annually, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) already transferred \$101.9 million in local highway user revenues to the general fund in fiscal 2011. Future years assume the 28.5% local share of highway user revenues takes effect beginning in fiscal 2012.

Local Effect: State aid for local transportation-related costs decreases by \$238.1 million in fiscal 2011 and by \$340.0 million annually beginning in fiscal 2012. **Exhibit 1** and **Appendix C** show the impact by jurisdiction in fiscal 2011.

**Exhibit 1
Local Highway User Revenues
Fiscal 2011**

| County | Statutory Funding Level | 2009 BRFA Reduction | Fiscal 2011 SB 840 Reduction | Proposed Fiscal 2011 |
|-----------------|------------------------------------|--------------------------------|---|---------------------------------|
| Allegany | \$6,387,531 | -\$1,831,846 | -\$2,737,604 | \$1,818,081 |
| Anne Arundel | 27,895,443 | -7,996,894 | -11,958,674 | 7,939,875 |
| Baltimore City | 193,923,000 | -19,871,424 | -114,930,274 | 59,121,302 |
| Baltimore | 37,511,924 | -10,757,194 | -16,077,763 | 10,676,967 |
| Calvert | 6,235,183 | -1,777,551 | -2,682,914 | 1,774,718 |
| Caroline | 4,433,838 | -1,272,303 | -1,899,540 | 1,261,995 |
| Carroll | 12,563,512 | -3,592,233 | -5,395,329 | 3,575,950 |
| Cecil | 7,008,274 | -1,990,712 | -3,022,796 | 1,994,766 |
| Charles | 9,058,322 | -2,578,168 | -3,901,889 | 2,578,265 |
| Dorchester | 4,922,052 | -1,406,739 | -2,114,356 | 1,400,957 |
| Frederick | 16,646,169 | -4,738,497 | -7,169,686 | 4,737,986 |
| Garrett | 5,559,213 | -1,592,885 | -2,384,002 | 1,582,326 |
| Harford | 14,603,727 | -4,171,792 | -6,275,278 | 4,156,657 |
| Howard | 13,870,861 | -3,960,732 | -5,962,064 | 3,948,065 |
| Kent | 2,515,801 | -714,961 | -1,084,772 | 716,068 |
| Montgomery | 39,452,563 | -11,235,610 | -16,970,526 | 11,246,427 |
| Prince George's | 33,995,832 | -9,788,358 | -14,548,316 | 9,659,158 |
| Queen Anne's | 5,149,407 | -1,472,251 | -2,211,480 | 1,465,676 |
| St. Mary's | 6,973,170 | -1,979,073 | -3,009,333 | 1,984,764 |
| Somerset | 2,957,488 | -849,884 | -1,265,822 | 841,782 |
| Talbot | 4,094,971 | -1,171,692 | -1,757,729 | 1,165,550 |
| Washington | 10,683,042 | -3,047,889 | -4,594,441 | 3,040,712 |
| Wicomico | 8,284,887 | -2,375,652 | -3,551,104 | 2,358,131 |
| Worcester | 6,038,794 | -1,745,660 | -2,574,309 | 1,718,825 |
| Total | \$480,765,004 | -\$101,920,000 | -\$238,080,001 | \$140,765,003 |

Location of Provision(s) in the Bill: Sections 7-9 and 13 (pp. 21-24)

Analysis prepared by: Jon Martin

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Provision in the Bill: Redirects 100% of the motor fuel tax revenues and 40% of the revenues from the sales and use tax on short-term vehicle rentals that otherwise would be distributed to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund.

Agency: Department of Natural Resources

| Fiscal Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <i>(\$ in millions)</i> <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
|-----------------------|-----------------------|-----------------------|--|-----------------------|-----------------------|
| GF Rev | \$34.2 | \$35.3 | \$36.3 | \$37.4 | \$38.6 |
| SF Rev | (34.2) | (35.3) | (36.3) | (37.4) | (38.6) |
| SF Exp | (34.2) | (35.3) | (36.3) | (37.4) | (38.6) |

State Effect: General fund revenues increase by \$34.22 million in fiscal 2011 due to the redirection of motor fuel tax revenues and a portion of the revenues from the sales and use tax on short-term vehicle rentals that otherwise would be distributed to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. Special fund revenues and expenditures decrease correspondingly. This provision would leave about \$8 million in the trust fund in fiscal 2011. Future year estimates reflect ongoing redirection of revenues, which are anticipated to increase over time.

Local Effect: Local government revenues for nonpoint source projects decrease due to the reduction in funding for the program.

Program Description: The trust fund provides financial assistance for nonpoint source pollution control projects. The proposed fiscal 2011 State budget includes \$42.1 million for the trust fund, but that amount is reduced by \$22.1 million contingent on the enactment of legislation to allocate the trust fund revenue to the general fund.

Location of Provision(s) in the Bill: Section 7 (pp. 19-20)

Analysis prepared by: Lesley Cook

Research and Development Tax Credit Program

Provision in the Bill: Repeals the Research and Development Tax Credit Program effective tax year 2010, meaning credits may only be claimed through tax year 2009. Under current law, credits, which are capped at \$6 million per year, may be claimed through tax year 2010.

Agency: Department of Business and Economic Development; Comptroller's Office

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | \$0 | \$1.9 | \$1.0 | \$1.5 | \$0 |
| SF Rev | 0 | 0.5 | 0.3 | 0.4 | 0 |

State Effect: General fund revenues increase by \$1.9 million in fiscal 2012 and Transportation Trust Fund revenues increase by \$0.5 million in fiscal 2012 due to the repeal of the tax credit program. Future years reflect credits that would have been carried forward under current law from tax year 2010.

Local Effect: Local highway user revenues increase by \$0.1 million annually in fiscal 2012 through 2014.

Program Description: Chapters 515 and 516 of 2000 established the Research and Development Tax Credit Program. Companies that incur qualified research and development expenses in Maryland are entitled to the credit.

Location of Provision(s) in the Bill: Sections 6 and 11 (pp. 5 and 24)

Analysis prepared by: Robert Rehrmann

Horse Racing Grants and Impact Aid

Provision in the Bill: Eliminates horse racing impact aid to those jurisdictions that contain horse racing venues, eliminates special grants to local jurisdictions, and requires the Comptroller to distribute \$1,200,000 annually from the Racing Revenues Special Fund to the general fund.

Agency: Department of Labor, Licensing, and Regulation

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | \$1.2 | \$1.2 | \$1.2 | \$1.2 | \$1.2 |
| SF Exp | (1.2) | (1.2) | (1.2) | (1.2) | (1.2) |

State Effect: General fund revenues increase by \$1.2 million annually beginning in fiscal 2011. Special fund expenditures decrease by approximately the same amount as funds will no longer be provided to local jurisdictions as impact aid or grants.

Local Effect: Local government revenues decline as a result of the elimination of horse racing impact aid and grants to local jurisdictions. The affected jurisdictions and annual revenue loss are as follows:

- Anne Arundel – \$345,000
- Baltimore County – \$50,000
- Howard County – \$86,250
- Prince George’s County – \$100,000
- Baltimore City – \$554,400
- City of Bowie – \$18,200
- City of Laurel – \$51,750

Program Description: The Racing Revenues Special Fund is supported with horse racing wagering taxes and uncashed pari-mutuel tickets. The funds provide horse racing impact aid to those local jurisdictions that contain or are located near thoroughbred racetracks. Grants are also provided to Prince George’s and Baltimore counties to replace revenues formerly received from racing at Bowie, Upper Marboro, and Timonium racetracks.

Location of Provision(s) in the Bill: Sections 2 and 7 (pp. 4 and 10-12)

Analysis prepared by: Jody Sprinkle

Maryland Legal Services Corporation

Provision in the Bill: Repeals a requirement that the Governor include \$500,000 in the annual State budget proposal for the Maryland Legal Services Corporation (MLSC).

Agency: Judiciary

| Fiscal | <i>(in dollars)</i> | | | | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| SF Exp | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) |

State Effect: Abandoned property special fund expenditures decrease by \$500,000 annually beginning in fiscal 2011 due to the elimination of the mandate for MLSC. General fund revenues will increase by a corresponding dollar amount when, as required by statute, the abandoned property special fund balance is transferred to the general fund at year end.

Program Description: MLSC provides grants to nonprofit organizations that provide legal services for low-income individuals. It receives support from a couple of sources, including an annual \$500,000 appropriation from the State's abandoned property fund. The proposed fiscal 2011 State budget includes an allowance of \$10.1 million for MLSC.

Additional Comments: To ensure the repeal of this mandate, amendments may need to address the parallel requirement in § 17-317 of the Commercial Law Article, which sends MLSC \$500,000 annually from the abandoned property fund.

Location of Provision(s) in the Bill: Section 7 (pp. 18-19)

Analysis prepared by: Mark W. Collins

Community College Aid Formula

Provision in the Bill: Reduces funding for local community colleges under the Senator John A. Cade Funding Formula by setting the annual per student amount of State aid equal to 19.1% of the per student funding at selected public four-year institutions of higher education. Under current law, this percentage is set at 24% for fiscal 2011 and is in the process of phasing up to 29% by fiscal 2014.

Agency: Maryland Higher Education Commission

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | (\$51.9) | (\$70.1) | (\$98.6) | (\$130.5) | (\$142.3) |

State Effect: Mandated general fund expenditures for community colleges decrease by \$51.9 million in fiscal 2011. The reduction will decrease the appropriation to an estimated \$165.6 million for the Cade formula, which assumes a funding reduction to University System of Maryland institutions and Morgan State University to fiscal 2007 funding levels, as suggested in this bill. Future year savings estimates use projected community college enrollments and the fiscal 2007 per student funding level.

Reductions in State aid to community colleges are also likely to slow the growth of community college retirement costs, which are paid by the State on behalf of the colleges. State payments for retirement are calculated using actual community college salary bases from the second prior fiscal year. Lower State aid levels beginning in fiscal 2011, therefore, may affect retirement payments beginning in fiscal 2013. The reductions in general fund expenditures for retirement are not included in the estimates above but could total an estimated \$5 million to \$15 million annually from fiscal 2013 to 2017.

Local Effect: Direct State aid for the 15 locally operated community colleges decreases by \$51.9 million in fiscal 2011. The fiscal 2011 estimated reductions are shown by county in Appendix C.

Program Description: The State has 15 local community colleges that receive aid under the Cade formula. The Baltimore City Community College is a State agency and receives funding under a different formula.

Location of Provision(s) in the Bill: Section 7 (pp. 14-15)

Analysis prepared by: Mark W. Collins

Funding for Independent Colleges and Universities

Provision in the Bill: Repeals the Joseph A. Sellinger formula for independent colleges and universities and instead requires the Maryland Higher Education Commission (MHEC) to develop criteria for awarding grants to selected independent institutions of higher education that demonstrate a financial need for funds in order to remain in operation. MHEC may not grant more than \$5 million in grants annually.

Agency: Maryland Higher Education Commission

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | (\$47.0) | (\$51.3) | (\$56.0) | (\$61.2) | (\$69.1) |

State Effect: Mandated general fund expenditures for independent colleges and universities decrease by \$47.0 million in fiscal 2011, which reflects the difference between the mandated allowance (\$52.0 million) and the new \$5.0 million grant program established in the bill. Future year expenditure reductions reflect the increasing current law mandate and the stable \$5.0 million program established in the bill.

Program Description: The Joseph A. Sellinger formula provides State support to 16 qualifying independent colleges and universities.

Location of Provision(s) in the Bill: Sections 4 and 7 (pp. 5 and 15)

Analysis prepared by: Mark W. Collins

Distinguished Scholar Program

Provision in the Bill: Reduces the number of annual awardees for the Distinguished Scholar Program from 350 to 260.

Agency: Maryland Higher Education Commission

| Fiscal | <i>(in dollars)</i> | | | | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Rev | (\$270,000) | (\$540,000) | (\$810,000) | (\$1,080,000) | (\$1,080,000) |

State Effect: General fund scholarship expenditures decrease by \$270,000 in fiscal 2011 to reduce the number of new \$3,000 awards for the 2010-2011 academic year from 350 to 260. Future year expenditure reductions reflect the awarding of fewer scholarships to each new class of awardees. By fiscal 2014, an annual expenditure decrease of \$1.1 million will be fully phased in.

Program Description: The Distinguished Scholar Program provides four-year scholarships in the amount of \$3,000 per year to qualifying Maryland residents for use at postsecondary institutions of higher education in the State.

Location of Provision(s) in the Bill: Section 7 (pp. 15-16)

Analysis prepared by: Mark W. Collins

State Aid for Police Protection

Provision in the Bill: Repeals the existing police aid formula and replaces it with a \$1,950 per sworn officer grant for counties and qualifying municipalities.

Agency: Governor’s Office of Crime Control and Prevention

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$46.8) | (\$47.0) | (\$47.2) | (\$47.4) | (\$47.6) |

State Effect: General fund expenditures decrease by \$46.8 million in fiscal 2011 and by \$47.6 million in fiscal 2015. Future years reflect a 2.5% increase in the number of county and municipal sworn officers; and a 1% annual increase in police aid funding under current law.

Under current law, State funding for the police aid formula is estimated at \$64.4 million in fiscal 2011 and \$67.0 million in fiscal 2015.

Local Effect: State aid to local governments decreases by \$46.8 million in fiscal 2011 and by \$47.6 million in fiscal 2015. The fiscal 2011 impact is shown by county in Appendix C.

Program Description: The police aid formula, established in 1967, provides grants to counties and qualifying municipalities for the exclusive purpose of providing adequate police protection.

Location of Provision(s) in the Bill: Sections 1 and 7 (pp. 4 and 5-10)

Analysis prepared by: Hiram L. Burch Jr.

Disparity Grants

Provision in the Bill: Limits the disparity grant provided to a county or Baltimore City to no more than 60% of the amount distributed in fiscal 2010.

Agency: Comptroller's Office

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$33.8) | (\$48.6) | (\$48.6) | (\$48.6) | (\$48.6) |

State Effect: General fund expenditures decrease by \$33.8 million in fiscal 2011 and by \$48.6 million annually thereafter due to the reduction. Although statute establishes a formula for the distribution of grants based on local income tax collected, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) limits, beginning in fiscal 2011, the amounts provided to any county and Baltimore City to no more than the amounts distributed in fiscal 2010.

Local Effect: State aid to the counties and Baltimore City is reduced by \$33.8 million in fiscal 2011 and by \$48.6 million annually thereafter due to the reduction. The fiscal 2011 impact is shown by county in Appendix C.

Program Description: Disparity grants address the difference in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for most counties.

Location of Provision(s) in the Bill: Section 7 (p. 5)

Analysis prepared by: Mark Collins and Lesley Cook

Cigarette Restitution Fund Mandates

Provision in the Bill: Eliminates mandated funding for tobacco use prevention and cessation activities and repeals the Statewide Academic Health Center Cancer Research Grant, Tobacco-Related Diseases Research Grant, and Network Grant programs and associated mandated funding. Currently the programs receive funding from the Cigarette Restitution Fund (CRF).

Agency: Department of Health and Mental Hygiene

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$9.9) | (\$29.4) | (\$29.4) | (\$29.4) | (\$29.4) |

State Effect: General fund expenditures decrease by \$9.9 million in fiscal 2011 and by \$29.4 million annually thereafter due to the use of CRF special funds to support programs that are otherwise supported with general funds in the Medicaid program. The estimates reflect the repeal of the Statewide Academic Health Center grant programs and assume that tobacco use prevention and cessation activities are level funded at \$7.0 million annually. The projected general fund expenditure decreases for fiscal 2012 and beyond are based on the assumption that the full reduction in CRF spending for mandated programs will be used to support programs that would otherwise be supported with general funds.

The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced the mandated funding levels for these activities in fiscal 2010 and 2011, with full statutory funding levels restored in fiscal 2012. Currently, \$7.0 million must be devoted to tobacco use prevention and cessation activities in fiscal 2011, and \$21.0 million must be spent annually for the activities in fiscal 2012 and beyond. In fiscal 2011, \$9.9 million must be devoted to the Statewide Academic Health Center grants and \$15.4 million must be spent annually for these grants in fiscal 2012 and beyond.

Local Effect: CRF funding for local tobacco use prevention and cessation programs is reduced.

Location of Provision(s) in the Bill: Sections 5 and 7 (pp. 5 and 22)

Analysis prepared by: Mark Collins and Lesley Cook

Targeted Local Health Formula

Provision in the Bill: Reduces the base appropriation for the Targeted Local Health Formula from \$41,000,000 to \$37,283,484 annually beginning in fiscal 2011 and specifies the local distribution. The bill also repeals provisions (1) requiring adjustments to the funding level for inflation and population growth; and (2) prohibiting annual funding levels to subdivisions from being less than amounts provided in 1997.

Agency: Department of Health and Mental Hygiene

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$3.7) | (\$4.1) | (\$4.5) | (\$4.7) | (\$4.7) |

State Effect: General fund expenditures decrease by \$3.7 million in fiscal 2011. Future year estimates reflect an increase in general funds that otherwise would have been provided due to adjustments for inflation and population growth. The proposed fiscal 2011 State budget reduces the Department of Health and Mental Hygiene's appropriation for local health services by \$3.7 million, contingent on the enactment of legislation authorizing the reduction.

Local Effect: State funding for local health departments is reduced by \$3.7 million in fiscal 2011; the impact in future years is greater due to the repeal of the provision requiring adjustments for inflation and population growth. The fiscal 2011 impact is shown by county in Appendix C.

Program Description: The State provides funds to the 24 local health departments for core public health services. These services include child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of the departments.

Location of Provision(s) in the Bill: Section 7 (pp. 16-18)

Analysis prepared by: Mark Collins and Lesley Cook

Enterprise Zone Credits

Provision in the Bill: Reduces, from 50% to 25%, the amount of the State grant provided by the State Department of Assessments and Taxation to local jurisdictions for the Enterprise Zone Property Tax Credit.

Agency: State Department of Assessments and Taxation

| | | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fiscal | <i>(\$ in millions)</i> | | | | |
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$7.6) | (\$9.1) | (\$10.5) | (\$12.3) | (\$14.4) |

State Effect: The proposed fiscal 2011 State budget assumes \$15.2 million in local grants. As a result, general fund expenditures decrease by \$7.6 million in fiscal 2011. Future year estimates are based on the current five-year forecast.

Local Effect: Local revenues decrease by \$7.6 million in fiscal 2011 due to the reduction in the State grant. **Exhibit 2** and Appendix C show the impact by county for fiscal 2011.

Exhibit 2 Impact on Local Revenues Due to the Reduction in State Grants

| Enterprise Zones | Number of Businesses | Current State Grant | Decrease in Revenue |
|-------------------------|-----------------------------|----------------------------|----------------------------|
| Allegany | 24 | \$284,558 | (\$142,279) |
| Anne Arundel | 0 | 0 | 0 |
| Baltimore City | 293 | 7,947,389 | (3,973,695) |
| Baltimore | 43 | 613,968 | (306,984) |
| Calvert | 14 | 41,217 | (20,609) |
| Caroline | 0 | 0 | 0 |
| Carroll | 0 | 0 | 0 |
| Cecil | 24 | 1,293,016 | (646,508) |
| Charles | | 0 | 0 |
| Dorchester | 18 | 69,264 | (34,632) |
| Frederick | 0 | 0 | 0 |
| Garrett | 27 | 107,045 | (53,523) |
| Harford | 146 | 1,404,368 | (702,184) |
| Howard | 0 | 0 | 0 |
| Kent | 0 | 0 | 0 |
| Montgomery | 89 | 1,127,680 | (563,840) |

| Enterprise Zones | Number of Businesses | Current State Grant | Decrease in Revenue |
|-------------------------|-----------------------------|----------------------------|----------------------------|
| Prince George's | 48 | 1,524,657 | (762,329) |
| Queen Anne's | 0 | 0 | 0 |
| St. Mary's | 15 | 33,967 | (16,984) |
| Somerset | 2 | 8,241 | (4,121) |
| Talbot | 0 | 0 | 0 |
| Washington | 44 | 571,438 | (285,719) |
| Wicomico | 61 | 158,067 | (79,034) |
| Worcester | 6 | 8,756 | (4,378) |
| Totals | 854 | \$15,193,631 | (\$7,596,816) |

Program Description: Businesses located within a Maryland enterprise zone are eligible for local property tax credits and State income tax credits for 10 years after the designation of the enterprise zone. The State Department of Assessments and Taxation reimburses local governments for 50% of the cost of the property tax credit.

Location of Provision(s) in the Bill: Sections 7 and 12 (pp. 21 and 24)

Analysis prepared by: Michael Sanelli and Chantelle Green

Maryland State Arts Council

Provision in the Bill: Sets the required minimum appropriation for the Maryland State Arts Council at \$6,500,000 beginning in fiscal 2011 and repeals the requirement to increase the appropriation annually based on the growth in general fund revenues.

Agency: Department of Business and Economic Development

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$7.1) | (\$7.6) | (\$8.5) | (\$9.2) | (\$10.0) |

State Effect: General fund expenditures decrease by \$7.05 million in fiscal 2011. Future year estimates reflect an increase in general funds that otherwise would have been provided due to adjustments for revenue growth.

Local Effect: The Maryland State Arts Council provides grants to county arts councils. A reduction in State spending for the arts council, therefore, reduces the potential funding available for county grants.

Program Description: The Maryland State Arts Council provides grants to individual artists, arts organizations and presenters, and county arts councils.

Location of Provision(s) in the Bill: Section 7 (p. 19)

Analysis prepared by: Mark Collins and Lesley Cook

Maryland Tourism Development Board Fund

Provision in the Bill: Reduces the required general fund appropriation to the Maryland Tourism Development Board Fund from \$6,000,000 to \$3,000,000 beginning in fiscal 2011.

Agency: Department of Business and Economic Development

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) |

State Effect: General fund expenditures decrease by \$3.0 million annually beginning in fiscal 2011 due to the change in the mandated funding level. The proposed fiscal 2011 State budget includes \$5.0 million in general funds for the fund despite the \$6.0 million mandate.

Local Effect: Local government revenues may decrease to the extent that less funding is available for grants to destination market organizations, most of which are local government entities. However, statute requires that a minimum of \$2.5 million must be provided from the fund for such grants beginning in fiscal 2011, and this bill does not alter that requirement.

Program Description: The Maryland Tourism Development Board within the Office of Tourism Development promotes Maryland tourism through various media by administering a program of local matching grants and providing other assistance for local tourism development efforts.

Location of Provision(s) in the Bill: Section 7 (p. 12)

Analysis prepared by: Mark Collins and Lesley Cook

Baltimore City Convention Center and Ocean City Convention Center

Provision in the Bill: Prohibits State general funds from being used to pay specified obligations of the Maryland Stadium Authority (MSA) for the Baltimore City Convention Center and the Ocean City Convention Center.

Agency: Maryland Stadium Authority

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$5.4) | (\$5.4) | (\$5.4) | (\$5.4) | (\$3.4) |

State Effect: General fund expenditures decrease by \$5.4 million annually from fiscal 2011 through 2014 and by \$3.4 million in fiscal 2015 due to the elimination of general funds to support specified operating deficits and capital improvements. The estimates assume that out year costs required to be paid to the convention centers remain at the fiscal 2011 level through fiscal 2014; however, the fiscal 2015 estimate reflects the fact that under current law, MSA's obligation to pay for a portion of the operating deficit and capital investments of the Baltimore City Convention Center ends on December 31, 2014.

Local Effect: Unless MSA provides funds to offset the loss in general funds, local finances could be affected in Baltimore City and Ocean City.

Location of Provision(s) in the Bill: Section 7 (pp. 12-13)

Analysis prepared by: Mark Collins and Lesley Cook

Maryland Agricultural and Resource-Based Industry Development Corporation

Provision in the Bill: Reduces mandated rural business development and assistance funding for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) to \$850,000 in fiscal 2011 through 2020.

Agency: Maryland Department of Agriculture

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$1.9) | (\$3.2) | (\$3.2) | (\$3.2) | (\$3.2) |

State Effect: General fund expenditures decrease by \$1.90 million in fiscal 2011 and \$3.15 million annually from fiscal 2012 through 2020 due to the change in the required MARBIDCO appropriation. The proposed fiscal 2011 State budget reduces MARBIDCO's appropriation by \$1.90 million contingent upon legislation authorizing the reduction. Although the Agricultural Stewardship Act of 2006 (Chapter 289) mandated funding at \$4.0 million in fiscal 2010 through 2020, the Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced the fiscal 2010 and 2011 funding levels to \$2.75 million.

Local Effect: Local governments may be affected in fiscal 2011 through 2020 to the extent the reduction in mandated funding limits MARBIDCO cost-share support to local government-funded rural business development projects.

Program Description: MARBIDCO is a public corporation and instrumentality of the State helping Maryland's farm, forestry, seafood, and related rural businesses to achieve profitability and sustainability.

Location of Provision(s) in the Bill: Section 7 (p. 12)

Analysis prepared by: Lesley Cook

Residential Child Care Group Home Rates

Provision in the Bill: Limits the rates paid for residential child care group homes for fiscal 2011 and each year thereafter to 3% less than the rates in effect as of January 20, 2010.

Agencies: Department of Human Resources and Department of Juvenile Services

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$10.3) | (\$17.0) | (\$24.1) | (\$31.6) | (\$39.4) |
| FF Exp | (4.6) | (7.7) | (10.9) | (14.3) | (17.8) |

State Effect: General fund expenditures decrease by an estimated \$10.3 million and federal fund expenditures decrease by an estimated \$4.6 million due to the decrease in rates paid to residential group homes. A portion of these savings have already been incorporated in the proposed fiscal 2011 State budget, which assumes no increases in group home rates.

Future years reflect a growing difference between rates that will increase under current law and rates locked at a level 3% less than rates provided in fiscal 2010.

Program Description: The Interagency Rates Committee (IRC) sets rates for providers of residential child care group homes and includes representatives from the Department of Budget and Management, Department of Health and Mental Hygiene, Department of Human Resources (DHR), Department of Juvenile Services (DJS), Maryland State Department of Education, and the Governor's Office for Children. The rates set by IRC for group homes mostly affect the budgets of DHR and DJS.

Location of Provision(s) in the Bill: Section 7 (pp. 13-14)

Analysis prepared by: Mark W. Collins

Biotechnology Investment Tax Credit

Provision in the Bill: Limits to \$3,000,000 the total amount of biotechnology investment tax credits the Department of Business and Economic Development is authorized to award in each fiscal year.

Agency: Department of Business and Economic Development

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) |

State Effect: General fund expenditures decrease by \$3.0 million annually beginning in fiscal 2011. The proposed fiscal 2011 State budget includes a \$6.0 million appropriation to the reserve fund for the program. Future year estimates assume that the program would be level funded in the absence of this bill.

Program Description: Chapter 99 of 2005 established the Biotechnology Investment Tax Credit Program, which allows a tax credit of up to 50% of the amount contributed to a qualified Maryland biotechnology company.

Location of Provision(s) in the Bill: Section 7 (p. 21)

Analysis prepared by: Robert Rehrmann

Film Production Rebate Program

Provision in the Bill: Eliminates the Film Production Rebate Program that provides financial incentives to encourage film and television productions in the State.

Agency: Department of Business and Economic Development

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$1.0) | (\$1.0) | (\$1.0) | (\$1.0) | (\$1.0) |

State Effect: General fund expenditures decrease by \$1 million annually beginning in fiscal 2011. This estimate assumes that the amount in the proposed fiscal 2011 State budget for the program would continue in the out years in the absence of the bill. To the extent that film production in the State declines as a result of the elimination of the program, State tax revenues also decline.

Local Effect: This provision does not directly affect local government finances or operations. However, to the extent that film production in the State declines as a result of the elimination of the program, local tax revenues decline.

Location of Provision(s) in the Bill: Section 3 (p. 4)

Analysis prepared by: Jody Sprinkle

General Fund Appropriations to State-operated Institutions of Higher Education

Provision in the Bill: Expresses legislative intent that, for fiscal 2011 and future fiscal years, State general fund appropriations for institutions of higher education in the University System of Maryland (USM) and Morgan State University (MSU) be limited to the per student support provided in fiscal 2007.

Agencies: University System of Maryland, Morgan State University, and Baltimore City Community College

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$48.1) | (\$110.9) | (\$152.2) | (\$196.3) | (\$242.1) |

State Effect: General fund expenditures decrease by \$48.1 million in fiscal 2011 due to reduced appropriations for USM (\$39.9 million), MSU (\$6.4 million), and Baltimore City Community College (\$1.7 million), which is funded through a formula that is based on State support for four-year public institutions. The reductions would bring State support for the institutions in line with the fiscal 2007 per student funding levels.

Future year expenditure reductions reflect a growing difference between increases that could occur under current law and stable funding levels based on fiscal 2007 State support for public institutions of higher education.

Location of Provision(s) in the Bill: Section 10 (p. 24)

Analysis prepared by: Mark W. Collins

State Funding for Head Start

Provision in the Bill: Expresses legislative intent that State funding for Head Start be eliminated.

Agency: Maryland State Department of Education

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$1.8) | (\$1.8) | (\$1.8) | (\$1.8) | (\$1.8) |

State Effect: General fund expenditures decrease by \$1.8 million annually beginning in fiscal 2011 due to the elimination of State funding for Head Start.

Local Effect: State aid for Head Start programs in local school systems will decrease by \$1.8 million annually. Estimated fiscal 2011 reductions by school system are shown in Appendix C.

Program Description: State funding for Head Start supplements a much larger amount of federal funds devoted to Head Start programs.

Location of Provision(s) in the Bill: Section 10 (p. 24)

Analysis prepared by: Mark W. Collins

Maryland Zoo in Baltimore

Provision in the Bill: Establishes the intent of the General Assembly that State funding for the Baltimore Zoo be eliminated beginning in fiscal 2011.

Agency: Maryland State Department of Education; Board of Public Works

| Fiscal | <i>(\$ in millions)</i> | | | | |
|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Impact: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
| GF Exp | (\$5.7) | (\$5.7) | (\$5.7) | (\$5.7) | (\$5.7) |

State Effect: General fund expenditures decrease by \$5.7 million annually beginning in fiscal 2011 by eliminating State funding for the Maryland Zoo in Baltimore. The proposed fiscal 2011 State budget includes \$5.2 million for the zoo's lease payment from the Board of Public Works and approximately \$547,300 from the Maryland State Department of Education.

Location of Provision(s) in the Bill: Section 10 (p. 24)

Analysis prepared by: Mark Collins and Lesley Cook

Implications of Budget Reduction Act on American Recovery and Reinvestment Act Funds

If fiscal 2011 State funding for higher education falls below fiscal 2009 funding levels, some of the federal State Fiscal Stabilization Funds currently budgeted to support primary and secondary education aid formulas will be diverted under the American Recovery and Reinvestment Act of 2009 to restore a portion of the higher education reductions. Between reductions for the University System of Maryland (\$39.9 million), Morgan State University (\$6.4 million), Baltimore City Community College (\$1.7 million), and the 15 local community colleges (\$51.9 million), this bill reduces State support for public institutions of higher education by nearly \$100 million in fiscal 2011 to a level that is \$76.9 million below the fiscal 2009 funding level.

This action, therefore, would redirect an estimated \$57.6 million in federal stabilization funds from primary and secondary education aid to public institutions of higher education to offset a portion of the reductions. The resulting decrease in stabilization funds supporting K-12 education aid could result in (1) a supplemental budget adding back funds for education (in which case the fiscal 2011 general fund savings under the bill would be reduced by \$57.6 million); (2) a reduction in aid under the geographic cost of education index, the only discretionary education aid formula that is being funded with the federal stabilization funds; or (3) some combination of these two possibilities.

Appendix B

| | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>GENERAL FUND REVENUES</u> | | | | | |
| Transfer Local Highway User Revenues | 238,080,000 | 340,000,000 | 340,000,000 | 340,000,000 | 340,000,000 |
| Reduce Dedication to Bay 2010 Fund | 34,220,000 | 35,250,000 | 36,330,000 | 37,440,000 | 38,600,000 |
| Redirect Racing Revenue Special Funds | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Eliminate Mandate for MD Legal Svcs Corp | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Repeal Research and Development Credits | | 1,900,000 | 1,000,000 | 1,500,000 | |
| TOTAL GENERAL FUND REVENUES | 274,000,000 | 378,850,000 | 379,030,000 | 380,640,000 | 380,300,000 |
| <u>SPECIAL FUND REVENUES</u> | | | | | |
| Repeal Research and Development Credits | | 500,000 | 300,000 | 400,000 | |
| Reduce Dedication to Bay 2010 Fund | (34,220,000) | (35,250,000) | (36,330,000) | (37,440,000) | (38,600,000) |
| TOTAL SPECIAL FUND REVENUES | (34,220,000) | (34,750,000) | (36,030,000) | (37,040,000) | (38,600,000) |
| <u>GENERAL FUND EXPENDITURES</u> | | | | | |
| <i>Mandate Relief</i> | | | | | |
| Community College Funding | (51,889,578) | (70,089,937) | (98,570,381) | (130,468,935) | (142,334,349) |
| Funding for Private Universities | (46,983,458) | (51,312,787) | (56,033,385) | (61,168,923) | (69,093,513) |
| Police Aid | (46,815,254) | (47,283,407) | (47,756,241) | (48,233,803) | (48,716,141) |
| Disparity Grants | (33,819,985) | (48,574,405) | (48,574,405) | (48,574,405) | (48,574,405) |
| CRF for Academic Centers and Smoking Cessation | (9,850,000) | (29,400,000) | (29,400,000) | (29,400,000) | (29,400,000) |
| Enterprise Zone Tax Credits | (7,596,816) | (9,116,400) | (10,483,860) | (12,266,116) | (14,351,356) |
| Arts Council | (7,046,000) | (7,642,872) | (8,477,659) | (9,225,078) | (9,964,532) |
| Eliminate GFs for Convention Centers | (5,404,111) | (5,404,111) | (5,404,111) | (5,404,111) | (4,713,122) |
| Aid for Local Health Departments | (3,716,516) | (4,126,516) | (4,536,516) | (4,700,516) | (4,659,516) |
| Tourism Development Board | (3,000,000) | (3,000,000) | (3,000,000) | (3,000,000) | (3,000,000) |
| MARBIDCO | (1,900,000) | (3,150,000) | (3,150,000) | (3,150,000) | (3,150,000) |
| Distinguished Scholar Program | (270,000) | (540,000) | (810,000) | (1,080,000) | (1,080,000) |
| Subtotal – Mandate Relief | (218,291,718) | (279,640,435) | (316,196,558) | (356,671,887) | (379,036,934) |

| | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <i>Cost Control</i> | | | | | |
| University System of Maryland Funding | (39,892,064) | (102,854,631) | (139,949,297) | (179,482,912) | (220,512,669) |
| Lower Foster Care Group Home Rates | (10,292,790) | (17,047,434) | (24,139,810) | (31,586,805) | (39,406,149) |
| Morgan State University Funding | (6,426,233) | (5,131,696) | (7,925,355) | (10,904,082) | (13,988,649) |
| Eliminate Baltimore Zoo Funding | (5,722,469) | (5,722,469) | (5,722,469) | (5,722,469) | (5,722,469) |
| Biotechnology Tax Credit | (3,000,000) | (3,000,000) | (3,000,000) | (3,000,000) | (3,000,000) |
| Eliminate State Funding for Head Start | (1,800,000) | (1,800,000) | (1,800,000) | (1,800,000) | (1,800,000) |
| Baltimore City Community College Funding | (1,737,705) | (2,908,861) | (4,277,842) | (5,930,769) | (7,587,922) |
| Eliminate Film Rebate Program | (1,000,000) | (1,000,000) | (1,000,000) | (1,000,000) | (1,000,000) |
| <i>Subtotal – Cost Control</i> | <i>(69,871,261)</i> | <i>(139,465,090)</i> | <i>(187,814,773)</i> | <i>(239,427,037)</i> | <i>(293,017,858)</i> |
| TOTAL GENERAL FUND EXPENDITURES | (288,162,980) | (419,105,525) | (504,011,331) | (596,098,924) | (672,054,792) |
| <u>SPECIAL FUND EXPENDITURES</u> | | | | | |
| Local Highway User Revenues | (238,080,000) | (340,000,000) | (340,000,000) | (340,000,000) | (340,000,000) |
| Chesapeake Bay 2010 Fund | (34,220,000) | (35,250,000) | (36,330,000) | (37,440,000) | (38,600,000) |
| Horse Racing Grants | (1,205,600) | (1,205,600) | (1,205,600) | (1,205,600) | (1,205,600) |
| MD Legal Services Corporation | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) |
| TOTAL SPECIAL FUND EXPENDITURES | (274,005,600) | (376,955,600) | (378,035,600) | (379,145,600) | (380,305,600) |
| <u>FEDERAL FUND EXPENDITURES</u> | | | | | |
| Lower Foster Care Group Home Rates | (4,645,667) | (7,694,386) | (10,895,541) | (14,256,754) | (17,786,027) |
| TOTAL FEDERAL FUND EXPENDITURES | (4,645,667) | (7,694,386) | (10,895,541) | (14,256,754) | (17,786,027) |

Appendix C1
Fiscal 2011 Impact of Budget Reduction Act on County and Municipal Government Aid
(\$ in Thousands)

| County | Highway User Revenues | Police Aid | Disparity Grants | Horse Racing Grants | Total Reduction in Local Aid |
|-----------------|------------------------------|-------------------|-------------------------|----------------------------|-------------------------------------|
| Allegany | (\$2,738) | (\$707) | (\$1,653) | \$0 | (\$5,097) |
| Anne Arundel | (11,959) | (4,980) | 0 | (345) | (17,283) |
| Baltimore City | (114,930) | (100) | (26,972) | (554) | (142,557) |
| Baltimore | (16,078) | (5,906) | 0 | (50) | (22,033) |
| Calvert | (2,683) | (544) | 0 | 0 | (3,227) |
| Caroline | (1,900) | (228) | (853) | 0 | (2,980) |
| Carroll | (5,395) | (1,323) | 0 | 0 | (6,718) |
| Cecil | (3,023) | (696) | 0 | 0 | (3,719) |
| Charles | (3,902) | (659) | 0 | 0 | (4,561) |
| Dorchester | (2,114) | (206) | (809) | 0 | (3,130) |
| Frederick | (7,170) | (1,593) | 0 | 0 | (8,763) |
| Garrett | (2,384) | (167) | (777) | 0 | (3,328) |
| Harford | (6,275) | (2,017) | 0 | 0 | (8,292) |
| Howard | (5,962) | (2,175) | 0 | (86) | (8,224) |
| Kent | (1,085) | (127) | 0 | 0 | (1,212) |
| Montgomery | (16,971) | (12,316) | 0 | 0 | (29,287) |
| Prince George's | (14,548) | (9,693) | 0 | (170) | (24,411) |
| Queen Anne's | (2,211) | (304) | 0 | 0 | (2,515) |
| St. Mary's | (3,009) | (647) | 0 | 0 | (3,656) |
| Somerset | (1,266) | (159) | (1,878) | 0 | (3,302) |
| Talbot | (1,758) | (243) | 0 | 0 | (2,000) |
| Washington | (4,594) | (1,080) | 0 | 0 | (5,675) |
| Wicomico | (3,551) | (638) | (879) | 0 | (5,068) |
| Worcester | (2,574) | (306) | 0 | 0 | (2,880) |
| Total | (\$238,080) | (\$46,815) | (\$33,820) | (\$1,206) | (\$319,921) |

Appendix C2
Fiscal 2011 Local Impact of Budget Reduction Act
(\$ in Thousands)

| County | County and Municipal Aid | Community Colleges* | Local Health Departments | School Boards/ Head Start | Total Reduction in Local Aid | Enterprise Zone | |
|-----------------|--------------------------|---------------------|--------------------------|---------------------------|------------------------------|---------------------|--------------------|
| | | | | | | Tax Credit Payments | Total Local Impact |
| Allegany | (\$5,097) | (\$1,255) | \$156 | (\$52) | (\$6,248) | (\$142) | (\$6,391) |
| Anne Arundel | (17,283) | (7,113) | (38) | (76) | (24,510) | 0 | (24,510) |
| Baltimore City | (142,557) | 0 | (1,450) | (646) | (144,653) | (3,974) | (148,627) |
| Baltimore | (22,033) | (8,987) | (1,206) | 0 | (32,226) | (307) | (32,533) |
| Calvert | (3,227) | (539) | 109 | 0 | (3,656) | (21) | (3,677) |
| Caroline | (2,980) | (338) | 85 | 0 | (3,233) | 0 | (3,233) |
| Carroll | (6,718) | (1,788) | (29) | 0 | (8,535) | 0 | (8,535) |
| Cecil | (3,719) | (1,216) | 55 | 0 | (4,880) | (647) | (5,527) |
| Charles | (4,561) | (1,721) | 36 | 0 | (6,246) | 0 | (6,246) |
| Dorchester | (3,130) | (305) | 32 | 0 | (3,402) | (35) | (3,437) |
| Frederick | (8,763) | (2,107) | 20 | (50) | (10,900) | 0 | (10,900) |
| Garrett | (3,328) | (592) | 80 | (41) | (3,882) | (54) | (3,935) |
| Harford | (8,292) | (2,594) | (251) | 0 | (11,138) | (702) | (11,840) |
| Howard | (8,224) | (3,280) | (164) | (50) | (11,718) | 0 | (11,718) |
| Kent | (1,212) | (139) | 35 | 0 | (1,316) | 0 | (1,316) |
| Montgomery | (29,287) | (9,337) | (169) | (123) | (38,915) | (564) | (39,479) |
| Prince George's | (24,411) | (5,734) | (1,438) | (165) | (31,749) | (762) | (32,511) |
| Queen Anne's | (2,515) | (396) | 47 | 0 | (2,864) | 0 | (2,864) |
| St. Mary's | (3,656) | (564) | (70) | 0 | (4,291) | (17) | (4,308) |
| Somerset | (3,302) | (196) | (10) | 0 | (3,509) | (4) | (3,513) |
| Talbot | (2,000) | (308) | 94 | 0 | (2,214) | 0 | (2,214) |
| Washington | (5,675) | (1,818) | 71 | (73) | (7,494) | (286) | (7,780) |
| Wicomico | (5,068) | (1,114) | 126 | 0 | (6,056) | (79) | (6,135) |
| Worcester | (2,880) | (449) | 162 | 0 | (3,167) | (4) | (3,171) |
| Unallocated | 0 | 0 | 0 | (524) | (524) | 0 | (524) |
| Total | (\$319,921) | (\$51,890) | (\$3,717) | (\$1,800) | (\$377,327) | (\$7,597) | (\$384,924) |

*Some of this reduction would be restored with federal funds from the American Recovery and Reinvestment Act of 2009 that would automatically be redirected from the federal funds currently budgeted for primary and secondary education aid.