Alternative and Additional Recommendations on HB 72/SB 87

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Expanding Supervision Fee Increase to Include Offenders Released Via the Maryland Parole Commission

Provision in BRFA as Introduced: Repeals the current $25 per month supervision fee imposed on probationers and instead imposes a $50 monthly supervision fee on probationers.

Provision as Recommended by DLS: Expand the BRFA provision to also repeal $40 supervision fee for offenders released via the Maryland Parole Commission and increase the supervision fee to $50 monthly for all offenders under Division of Parole and Probation (DPP) supervision.

Agency: Division of Parole and Probation

Type of Action: Revenue

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		$3.3	$4.2	$4.2	$4.2	$4.2

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		$0.2	$0.3	$0.3	$0.3	$0.3

Background/Recent History: Legislation was first enacted during the 1991 legislative session mandating the imposition of monthly supervision fees for offenders supervised by DPP, which includes probationers, parolees, and mandatory releases. At that time, the mandated monthly supervision fee was set at $25 for probationers and $40 for offenders released via the Maryland Parole Commission. The BRFA of 2005 increased the supervision fee charged to probationers from $25 to $40 per month, making the fee consistent for all supervisees. The fee increase was scheduled to sunset at the end of fiscal 2010, at which time the monthly supervision fee for probationers reverted to the current $25 per month. The supervision fee for parolees and mandatory releases has remained constant at $40 per month.

State Effect: The action proposed in the BRFA as introduced increases the supervision fee for probationers from the current $25 per month to $50 per month. The Department of Legislative Services recommendation expands the fee increase to $50 monthly for parolees and offenders on mandatory release supervision to have consistency among all supervisees. The fee will be applied to supervision cases received in fiscal 2012 and thereafter. As such, a certain percentage of offenders will continue paying the $25 and $40 per month fee in fiscal 2012. Assuming a one-year average length of supervision; however, the full impact of the fee increase should be realized in fiscal 2013 and beyond. The revenue estimate assumes a 20% collection rate, although the true collection rate is unknown due to antiquated data systems. Actual collections could be higher or lower, depending on the actual collection rate and the amount of approved waiver requests.

Proposed Amendment to HB 72/SB 87 as Introduced

Developmental Disabilities Administration

Provision in BRFA as Introduced: Changes the payment schedule for community providers for services provided to DDA-eligible individuals from a quarterly prospective payment schedule to a monthly retrospective payment schedule.

Provision as Recommended by DLS: Strike provision.

Agency: Department of Health and Mental Hygiene

Type of Action: Revenue

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

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: General fund revenues decrease by $500,000, the amount of additional interest earnings that would result from the new payment schedule. However, the provision as introduced would have resulted in increased general fund expenditures of $0.2 million, which are avoided if this provision is not enacted.

($ in Millions)

	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0	-$0.5	-$0.6	-$0.6	-$0.6	-$0.6
GF Exp	0	-0.2	-0.2	-0.2	-0.2	-0.2

Background/Recent History: DDA provides direct service to individuals with intellectual and developmental disabilities through funding of a coordinated service delivery system that supports the integration of these individuals into the community. DDA currently invoices community providers quarterly on a prospective basis for services provided to clients in community settings.

State Effect: No change to current practice.

Proposed Amendment to HB 72/SB 87 as Introduced

Injured Workers' Insurance Fund and Valuation of Membership in State Personnel Management System

Provision in BRFA as Introduced: End the Injured Worker's Insurance Fund's (IWIF) exemption from the premium tax.

Provision as Recommended by DLS: Amend the BRFA to stipulate that any difference between the actual premium tax payment made by IWIF in fiscal 2012 and the $6 million assumed from IWIF in the Governor's Budget Books Appendix A would represent a business transaction by IWIF that offsets past State personnel cost exposure for IWIF employees. This action is contingent upon the passage of legislation (HB 598/SB 693) that proposes to amend Section 10-113 of the Labor and Employment Article to remove all IWIF employees from the State Personnel Management System (SPMS).

Agency: IWIF

Type of Action: Revenue Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		$6.0	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: Although not specified in the BRFA, Appendix A (the General Fund Budget Summary) of the Governor's Budget Books assumes $6.0 million in general fund revenue from eliminating the premium tax exemption for IWIF in fiscal 2012. However, only approximately $1.9 million would likely result from eliminating that exemption.

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		$4.1	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The premium tax is calculated as 2% of an insurer's direct written premium, net of policyholder dividends, and other statutory deductions. However, given IWIF's recent net premium levels which totaled $168.9 million in 2010, the 2% premium tax would currently only yield $3.4 million in a single year. Moreover, given the timing of the BRFA of 2011s implementation, which would be for the period after its June 1, 2011 effective date, the taxable premium amount would be approximately $93.0 million, thus generating a tax payment in March 2012 of $1.9 million. This amount is well short of the $6.0 million figure assumed by the Governor in his budget plan, as shown in Appendix A.

Meanwhile, IWIF is proposing legislation (HB 598/SB 693) that would remove its employees from the SPMS. This change would effectively exempt IWIF from compliance with statewide personnel actions, such as furloughs and prohibitions on bonus payments. IWIF has benefited from its membership in the SPMS through various arrangements not open to its private competitors, and would still continue to do so under the aforementioned legislation. These benefits include, but are not limited to, the ability of its employees to participate in the State's pension system, which avails them of a pre-established administrative apparatus and investment professionals, and IWIF's status as a satellite agency of the State's employee/retiree health plans, which in addition to the administrative work undertaken by DBM provides a negotiated premium that is well below the cost IWIF would encounter as an individual business concern due to the volume associated with the State's overall health offerings.

State Effect: Increases general fund transfer from IWIF from likely $1.9 million in fiscal 2012 to $6.0 million. This action would not affect tax payments in subsequent years.

Local Effect: The tax would be passed through to IWIF's policyholders, *e.g.*, businesses and governmental entities operating in Maryland that purchase their workers' compensation insurance from IWIF.

Subcommittee Assignments: PSA/PSTE Alt-19

Proposed Amendment to HB 72/SB 87 as Introduced

Maryland Department of Transportation Interest Income Exemption

Provision in BRFA as Introduced: Credits all interest earned on special funds of the State to the general fund except for special funds and accounts that are specifically identified and exempted from the requirement or where doing so would be inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement.

Provision as Recommended by DLS: Provide an exemption for the Maryland Department of Transportation (MDOT)

Agency: Maryland Department of Transportation

Type of Action: General and Special Fund Revenue Action

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

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		-4.0	-$4.0	-$4.0	-$4.0	-$4.0
SF Rev		4.0	4.0	4.0	4.0	4.0

Background/Recent History: A similar provision in the BRFA of 2010 (Chapter 484) transfers special fund interest to the general fund for fiscal 2010 and 2011 only.

State Effect: By exempting MDOT from the interest income provision, the general fund would lose $4.0 million annually as proposed in the BRFA, and MDOT would gain $4.0 million annually.

Proposed Amendment to HB 72/SB 87 as Introduced

Special Fund for the Preservation of Cultural Arts

Provision in BRFA as Introduced: Requires that for fiscal 2012 only, that $1,000,000, derived from the admissions and amusement tax imposed on electronic bingo and tip jar machines, be dedicated to the Special Fund for the Preservation of Cultural Arts in Maryland and the remainder to the general fund.

Provision as Recommended by DLS: Requires that all revenue derived from the admissions and amusement tax imposed on electronic bingo and tip jar machines be transferred to the general fund and none to the Special Fund for the Preservation of Cultural Arts in fiscal 2012.

Agency: Department of Business and Economic Development

Type of Action: Dedicated Revenue Redirection

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0.0	$4.2	$0.0	$0.0	$0.0	$0.0
SF Rev	0.0	-4.2	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev	$0.0	$1.0	$0.0	$0.0	$0.0	$0.0
SF Rev	0.0	-1.0	0.0	0.0	0.0	0.0
SF Exp	0.0	-1.0	0.0	0.0	0.0	0.0

Background/Recent History: The Special Fund for Preservation of Cultural Arts in Maryland is a special, nonlapsing fund in the Department of Business and Economic Development that consists of State admissions and amusement tax revenue and any other money accepted for the benefit of the fund. The fund is to be used to provide emergency grants and it may be used only for preventing the closure or termination of cultural arts organizations, including museums, or similar entities in the State. Chapter 661 of 2009 increased the State admissions and amusement tax rate on the net proceeds from electronic bingo and tip jar machines from 20 to 30%. Chapter 661 required that the revenue attributable to the tax rate of 20% be distributed to the general fund, while the revenue attributable to the rate increase is distributed to the Special Fund for the Preservation of Cultural Arts. The Budget Reconciliation and Financing Act of 2010 altered the distribution of these tax revenues to provide greater support for the general fund.

State Effect: General fund revenues increase by $4.2 million in fiscal 2012 with a corresponding decrease in revenues for the Special Fund for the Preservation of Cultural Arts in Maryland.

Proposed Amendment to HB 72/SB 87 as Introduced

2010 Trust Fund Revenue Redirection Modification

Provision in BRFA as Introduced: Redirect specified amounts of the revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2012 through 2016, as shown in **Exhibit 1.**

Exhibit 1

Proposed Revenue Transfers from the Trust Fund to the General Fund

Fiscal 2012-2016

Fiscal	Motor Vehicle Fuel Tax	Short-term Rental Vehicles Sales and Use Tax	Total
2012	$5,000,000	$13,669,444	$18,669,444
2013	5,000,000	10,076,582	15,076,582
2014	5,000,000	6,535,845	11,535,845
2015	5,000,000	3,049,199	8,049,199
2016	4,624,687	0	4,624,687

Source: Department of Legislative Services

Provision as Recommended by DLS: Mandate appropriations from the revenues received by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund for fiscal 2012 through 2015 and then cap the amount received at the fiscal 2015 level in perpetuity as shown in **Exhibit 2**. The remaining revenue would be available for the general fund.

Exhibit 2

Proposed Appropriation Level from the Trust Fund

Fiscal 2012-2016

Fiscal Year	Revenue Estimate	Mandated Appropriation Amount	General Fund Revenue
2012	$43,669,444	$22,000,000	$21,669,444
2013	45,077,000	23,000,000	22,077,000
2014	46,536,000	24,000,000	22,536,000
2015	48,050,000	25,000,000	23,050,000
2016	49,625,000	25,000,000	24,625,000

Source: Department of Legislative Services

Agency: Department of Natural Resources

Type of Action: Revenue mandate relief and mandated spending

Fiscal Impact of DLS Recommendation vs. Current Law: General fund revenues increase by the difference between estimated revenues and the proposed mandated appropriations for fiscal 2012 through 2016. The fiscal 2015 mandated appropriation level is maintained in perpetuity. Special fund revenues and expenditures decrease by the amount transferred to the general fund.

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0	$21.7	$22.1	$22.5	$23.1	$24.6
SF Rev	0	-21.7	-22.1	-22.5	-23.1	-24.6
SF Exp	0	-21.7	-22.1	-22.5	-23.1	-24.6

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: General fund revenues increase by the difference between the existing BRFA provision transfer and the new proposed BRFA provision transfer. Special fund revenues and expenditures decrease by the amount transferred to the general fund.

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0	$3.0	$7.0	$11.0	$15.0	$20.0
SF Rev	0	-3.0	-7.0	-11.0	-15.0	-20.0
SF Exp	0	-3.0	-7.0	-11.0	-15.0	-20.0

Background/Recent History: The trust fund originally was anticipated to receive an estimated $50.0 million in annual revenues, but revenues have declined and recent budget reconciliation legislation redirected funds from the trust fund to the general fund, as shown in **Exhibit 3**. The fiscal 2009 through 2011 State budgets included $9.6 million, $8.8 million, and $20.0 million for the trust fund, respectively.

State Effect: State general fund revenues increase relative to the existing BRFA provision. However, as a result of the modification, the general fund would be impacted by any underattainment or overattainment of special fund revenues. Special fund expenditures decrease for nonpoint source nutrient and sediment reduction programs related to Chesapeake Bay restoration.

Local Effect: To the degree that they would have received more funding under the existing trust fund Annual Work Plan, local jurisdictions will receive less funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund for nonpoint source nutrient and sediment reduction projects.

Exhibit 3
Trust Fund Revenue and Transfers to the General Fund
Fiscal 2009-2011
($ in Millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Revenue	$38.2	$41.5	$42.4 (est.)
Transfers to GF			
Chapter 414 of 2008	25.0		
BRFA of 2009		21.5	
BRFA of 2010		10.5*	22.1
Total Transfers	25.0	32.0	22.1

*Included $8.0 million in fiscal 2010 revenues and $2.5 million in fund balance.

Source: Department of Legislative Services

Proposed Amendment to HB 72/SB 87 as Introduced

State Department of Assessments and Taxation – Local Reimbursement for Property Valuation Expenditures

Provision in BRFA as Introduced: Require the counties and Baltimore City to reimburse the State Department of Assessments and Taxation (SDAT) for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of costs incurred by SDAT with regards to information technology. The bill specifies how those costs must be allocated among the counties and Baltimore City and how payments must be remitted. The Comptroller may withhold a portion of a local income tax distribution if timely payment is not made.

Provision as Recommended by DLS: Strike provision in the BRFA as introduced.

Agency: State Department of Assessments and Taxation

Type of Action: Cost Shift

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

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0	$34.8	$34.1	$34.4	$34.7	$35.0
SF Rev	0	-34.8	-34.1	-34.4	-34.7	-35.0
SF Exp	0	-34.8	-34.1	-34.4	-34.7	-35.0

Background/Recent History: Under current law, the State pays the entire cost of property valuation and information technology.

As introduced, the BRFA of 2009 contained a provision requiring county governments to reimburse SDAT for (1) 90% of the cost of real property valuation; (2) 90% of the cost of business property valuation; and (3) 75% of costs incurred by SDAT with regards to information technology. However, this provision was eliminated from the bill prior to final passage.

State Effect: None compared to current law.

Local Effect: None compared to current law.

Proposed Amendment to HB 72/SB 87 as Introduced

Cleaning Up General Fund and Transportation Trust Fund Transfers and Paying Back the $100 Million Transfer

Provision in BRFA as Introduced: Modify the distribution of revenues from the Gasoline and Motor Vehicle Revenue Account (GMVRA), otherwise known as Highway User Revenues (HUR). Specifically, in fiscal 2012 only, the bill reduces the Maryland Department of Transportation's (MDOT) share of revenues from 71.5 to 65.5%; increases the share of revenues distributed to the general fund from 20.4 to 24.0%; and distributes 2.4% to the Revenue Stabilization Account. The proposed change would result in $60 million to the general fund and $40 million to the Rainy Day Fund.

The modified percentage of distribution of revenues to MDOT does not apply unless sufficient funds are included in the budget bill (SB 85/HB 70) for MDOT to pay in fiscal 2012 the debt service on MDOT's consolidated transportation bonds issued prior to July 1, 2011.

Provision as Recommended by DLS: The $100 million transfer from the Maryland Department of Transportation to the general fund and Rainy day Fund would still occur in fiscal 2012; however, it would be repaid from fiscal 2013 to 2016. In addition, DLS would recommend cleaning up the revenue transfers between the Transportation Trust Fund (TTF) and the general fund.

Two fiscal years would be required to clean-up the transfers between the general fund and the TTF and to allow for the payback of the $100 million to the TTF. Beginning in fiscal 2012, the TTF share of the general sales tax would go to the general fund. Also in fiscal 2012, the general fund share of HUR would be reduced from $338 million to $111 million. In fiscal 2013, the entire general fund share of HUR would return to the TTF ($337 million) and $116 million from the TTF share of the corporate income tax would be retained by the general fund.

In fiscal 2014 and beyond, the general fund would retain all of the general sales tax revenue and a slightly higher share of the corporate income tax ($40 million in fiscal 2016). The TTF would retain all HUR and lose approximately $40 million of the TTF share of the corporate income tax; however, by fiscal 2016, the TTF would be repaid $107 million.

The fiscal 2012 transfer of $40 million from the TTF to the Rainy Day Fund would be repaid in fiscal 2014 through a BRFA provision that would transfer the first $40 million from the fiscal 2012 fund balance of the general fund to the Dedicated Purpose Account to the TTF. **Exhibit 1** provides a summary of the changes from fiscal 2012 to 2016.

Exhibit 1
General Fund and TTF Revenue Swap
Fiscal 2012-2016
($ in Millions)

	2012	2013	2014	2015	2016	Total
1. Current Law and Proposal						
Sales Tax to TTF	$212	$225	$289	$301	$312	
GMVRA Share of Corporate Tax	172	185	199	207	215	
Current Law	**$384**	**$410**	**$488**	**$508**	**$527**	
Current Law HUR to GF	$338	$337	$353	$365	$373	
Proposed HUR to GF	60					
Proposed HUR to Rainy Day Fund	40					
Current Law and Proposed	**$438**	**$337**	**$353**	**$365**	**$373**	
2. DLS Proposal						
What TTF Receives						
Corporate Income Tax	$172	$69	$161	$168	$175	
GF Share of HUR	111	337	353	365	373	
Rainy Day Fund Repayment			40			
Net Effect	**$283**	**$406**	**$554**	**$533**	**$548**	
TTF vs. Current Law	**-$101**	**-$4**	**$66**	**$25**	**$21**	7
What GF gets						
Sales Tax	$212	$225	$289	$301	$312	
HUR to GF	186					
Additional Corporate Income Tax		116	38	39	40	
Net Effect	**$398**	**$341**	**$327**	**$340**	**$352**	
GF vs. Current Law	**$60**	**$4**	**-$26**	**-$25**	**-$21**	-8
What Rainy Day Fund Receives	**$41**					

HUR: Highway User Revenues
GF: general fund
GMVRA: Gasoline and Motor Vehicle Revenue Account
TTF: Transportation Trust Fund

Note: Totals may not sum due to rounding.

Source: Department of Legislative Services

Agency: Maryland Department of Transportation/General Fund

Type of Action: General and Special Fund Revenue Action

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.0	$60.0	$4.0	-$26.0	-$25.0	-$21.0
GF Exp	0.0	-40.0	0.0	0.0	0.0	0.0
SF Rev	0.0	-100.0	-4.0	66.0	25.0	21.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.0	$0.0	$4.0	-$26.0	-$25.0	-$21.0
GF Exp	0.0	-1.0	0.0	0.0	0.0	0.0
SF Rev	0.0	0.0	-4.0	66.0	25.0	21.0

Background/Recent History: Previously, GMVRA revenues, otherwise known as HUR, had been distributed to MDOT (70%) and local jurisdictions (30%). The BRFA of 2009 (Chapter 487) reduced the local share of HUR by $161.9 million in fiscal 2010 and $101.9 million in fiscal 2011 and transferred that revenue to the general fund. The BRFA of 2010 (Chapter 484) further altered the allocations to provide for an ongoing distribution of revenues from the local share of HUR to the general fund. Under current law, for fiscal 2012, GMVRA revenues are required to be distributed as follows: (1) 20.4% to the general fund; (2) 71.5% to TTF; and (3) the balance to the counties, municipalities, and Baltimore City.

State Effect: The general fund would lose approximately $8 million over the fiscal 2012 to 2016 time period as a result of paying back the TTF for the $100 million transfer in fiscal 2012. The general fund would also retain all of the general sales tax revenue and a slightly higher share of corporate income tax revenue while returning its share of HUR to the TTF. TTF revenues would increase $7 million as a result of the general fund pay back. Furthermore, the general fund share of HUR would be eliminated.

Local Effect: Local jurisdictions are held harmless relative to the fiscal 2012 allowance.

Proposed Amendment to HB 72/SB 87 as Introduced

Moving Violation Surcharge Revenue Distribution

Provision in BRFA as Introduced: Requires an amount annually set forth in the State budget from the $7.50 surcharge on certain traffic convictions to be distributed to the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program. Any amount collected from the surcharge after the distribution to the Riley program is credited 50% to the Volunteer Company Assistance Fund (VCAF) and 50% to the general fund. Once $20 million has been credited to VCAF, all surcharges are credited to the general fund after the annual distribution to the Riley program.

Provision as Recommended by DLS: Amend Section 7-301 of the Courts and Judicial Proceedings Article to specify that (1) the State's $20.0 million obligation to the VCAF includes revenue previously appropriated from all fund sources (excluding loan repayments and the $400,000 in grant funding traditionally provided via the Emergency Assistance Trust Account); (2) the State's $20.0 million obligation to the VCAF will cease in fiscal 2012 following the transfer of $2.1 million to the VCAF; and (3) all remaining revenue derived from the moving violation surcharge shall be credited to the Charles W. Riley Fire and Emergency Medical Service Tuition Reimbursement Program with the remainder to the general fund.

Agencies: Military Department, Maryland State Firemen's Association, and Maryland Higher Education Commission

Type of Action: Use of Special Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.3	$6.1	$1.4	-$0.3	-$0.3	-$0.3
GF Exp	0.0	-0.3	-0.3	-0.3	-0.3	-0.3
SF Rev	-0.3	-6.1	-1.4	0.3	0.3	0.3
SF Exp	0.0	0.3	0.3	0.3	0.3	0.3

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.0	$2.0	$4.1	$2.4	$0.0	$0.0
GF Exp	0.0	0.0	0.0	0.0	0.0	0.0
SF Rev	0.0	-2.0	-4.1	-2.4	0.0	0.0
SF Exp	0.0	0.0	0.0	0.0	0.0	0.0

Background/Recent History: Chapter 136 of 2005 expressed the intent that appropriations to the VCAF cease after fiscal 2021 or after the State has contributed $20 million to the fund. Chapter 416 of 2006 required that half of the surcharges on traffic convictions be allocated to the State Police Helicopter Replacement Fund and half to VCAF. Chapter 735 of 2010 expanded the application of the fees to apply to nearly all traffic convictions and amended the distribution to require that all of the surcharge revenues be allocated to VCAF until $20 million has been credited to the fund. After the $20 million goal is reached, surcharges will instead be credited to the general fund. Chapter 484 required that 75% of the revenues generated from the surcharge for certain traffic convictions to be distributed to the general fund in fiscal 2010, with the remaining 25% credited to the VCAF.

The BRFA of 2010 (Chapter 484) authorized the Charles W. Riley program to award full or partial tuition reimbursement. The Riley program has been appropriated $340,979 annually since fiscal 2010, although program expenditures vary based on award cancellations and transfers into the program from other scholarship sources.

From fiscal 2007 to 2010, $3.3 million in revenues from the moving violation surcharge was credited toward the $20.0 million target for VCAF. If all revenue sources are accounted for, a total of $11.8 million has been credited to the VCAF since fiscal 2001 (excluding loan repayments and the $400,000 in grant funding traditionally provided via the Emergency Assistance Trust Account). Surcharge revenues are expected to total $6.4 million in fiscal 2011 and $8.5 million annually thereafter.

State Effect: General fund revenues increase by an estimated $267,000 in fiscal 2011, which reflects the bill's June 1, 2011 effective date and assumes that an estimated $534,000 in surcharge revenues generated in June 2011 will be split between the general fund and VCAF. There is a corresponding decrease in special fund revenues for VCAF in fiscal 2011.

In fiscal 2012, general fund revenues increase by an estimated $2 million over the BRFA proposal due to the State's satisfaction of the $20 million obligation to the VCAF. VCAF revenues decrease by a corresponding amount. Under current law, VCAF is expected to reach $20 million in credited revenues in fiscal 2013; however, under the original BRFA proposal, $20 million is reached in fiscal 2014.

Proposed Amendment to HB 72/SB 87 as Introduced

Strategic Energy Investment Fund Reallocation of Regional Greenhouse Gas Initiative Proceeds

Provision in BRFA as Introduced: Alters the distribution of proceeds from the Regional Greenhouse Gas Initiative (RGGI) quarterly carbon dioxide emission allowance auctions in the Maryland Strategic Energy Investment Fund (SEIF) in fiscal 2012 through 2014, as shown in **Exhibit 1**.

Exhibit 1

Distribution of RGGI Auction Proceeds from SEIF under Current Law and under the Budget Reconciliation and Financing Act of 2011

	Current Law for Fiscal 2012	Current Law for Fiscal 2013-2014	Allocation Proposed in the BRFA of 2011
Energy Assistance for the Electric Universal Service Program and other electricity assistance programs	Up to 50.0%	17.0%	Up to 50.0%
Residential rate relief	23.0%	23.0%	0.0%
Energy Efficiency and Conservation Programs (at least one-half for low- and moderate-income programs)	At least 17.5%	At least 46.0%	At least 20.0%
Renewable and clean energy programs, public energy-related education, and outreach and climate change programs	At least 6.5%	Up to 10.5%	At least 20.0%
Administrative expenses	Up to 3.0%, but no more than $4 million	Up to 3.5%, but no more than $4 million	Up to 10.0%, but no more than $4 million

Provision as Recommended by DLS: Alters the distribution of proceeds from RGGI auctions in SEIF in fiscal 2012 and 2013, as shown in **Exhibit 2.**

Exhibit 2

Distribution of RGGI Auction Proceeds from SEIF Under Allocation Proposed in the Budget Reconciliation and Financing Act of 2011 and Under Allocation Recommended by DLS

	BRFA of 2011 as Introduced (Allocation for Fiscal 2012-2014)	Provision as Recommended by DLS (for Fiscal 2012-2013)
Energy Assistance for the Electric Universal Service Program and other electricity assistance programs	Up to 50.0%	68.0%
Energy Efficiency and Conservation Programs (at least one-half for low- and moderate-income programs)	At least 20.0%	17.5%
Renewable and clean energy programs; public energy-related education and outreach and climate change programs	At least 20.0%	10.0%
Administrative Expenses	Up to 10.0%, but no more than $4 million	Up to 4.5%, but no more than $4 million

DLS: Department of Legislative Services
BRFA: Budget Reconciliation and Financing Act
SEIF: Strategic Energy Investment Fund

Agency: Maryland Energy Administration; Department of Human Resources (DHR)

Type of Action: Use of Special Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law: General fund expenditures are potentially reduced, to the extent that an anticipated general fund need in DHR's Office of Home Energy Programs is partially mitigated through the additional funds available from the higher share of RGGI proceeds. Special fund expenditures are neither increased nor decreased but are redistributed among various purposes.

Background/Recent History: SEIF was created pursuant to Chapters 127 and 128 of 2008 to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. The fund's primary source of revenue is proceeds from the sale of carbon dioxide emission allowances at quarterly RGGI auctions. SEIF also receives revenue from the Alternative Compliance Payments required under the Renewable Portfolio Standard; however, revenue from those payments is not subject to the statutory allocation described earlier.

State Effect: The action potentially reduces the State general fund expenditures in fiscal 2012 due to the increased allocation of proceeds from RGGI for energy assistance. Although there are no general funds included in the fiscal 2012 allowance for the DHR Office of Home Energy Programs, DLS estimates potential underfunding between $21.0 million and $70.0 million compared to the fiscal 2010 expenditures due to program demand and uncertain federal funding. DLS estimates an additional $6.2 million of SEIF would be available for energy assistance as a result of the reallocation of proceeds. Overall special fund expenditures are not affected. The amendment simply redistributes special funds among various programs. **Exhibit 3** compares the special funds available for the various categories under the three allocation options for fiscal 2012:

Exhibit 3
Comparison of SEIF Funding

	Current Law for Fiscal 2012	BRFA of 2011 as Introduced	DLS Recommendation
Energy Assistance	$17,105,200	$17,105,200	$23,263,072
Residential Rate Relief	9,202,392	1,334,000	1,334,000
Energy Efficiency and Conservation, Low and Moderate Income Sectors	3,500,910	3,928,540	3,500,910
Energy Efficiency and Conservation, All Other Sectors	2,993,410	3,421,040	2,993,410
Renewable and Clean Energy, Energy Education and Outreach, and Climate Change Programs	2,600,676	7,219,080	3,798,040
Administrative Expenditures	1,200,312	1,680,530	1,713,468

SEIF: Strategic Energy Investment Fund

Note: The fiscal 2011 budget bill as introduced recognized only a portion of the additional SEIF that would be available for administrative expenditures under the reallocation proposed in the BRFA. Under the reallocation, $3,595,040 would have been available for this purpose, and $1,914,510 that was not budgeted would be available for future use. An additional auction was budgeted for the residential rate relief, low- and moderate-income energy efficiency, renewable and clean energy, and administrative expenditures programs allocated under current law. An additional $450,000 of SEIF is provided to the Maryland Department of the Environment for RGGI, Inc. dues and $939,600 for the Transportation Trust Fund, which are not subject to the SEIF allocation in fiscal 2012.

Local Effect: Local governments may be affected in fiscal 2012 and 2013 to the extent that the adjustment of distributions affects the funding available for grants or loans to local governments.

Proposed Amendment to HB 72/SB 87 as Introduced

50-50 Teachers' Retirement Cost Share

Provision in BRFA as Introduced: Authorizes the use of $124,420,746 in fiscal 2011 general fund savings generated by the availability of money from the federal Education Jobs Fund to prefund the State's fiscal 2012 general fund obligation for the State share of the foundation program. The funds will be distributed to local school systems June 1, 2011.

Provision as Recommended by DLS: Shifts 50% of teachers' retirement costs to counties and county boards of education and authorizes the use of $124,420,746 in fiscal 2011 general fund savings generated by the availability of money from the federal Education Jobs Fund to prefund a portion of the local obligation for teachers' retirement for fiscal 2012.

Agency: Maryland State Department of Education

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0	-$109.0	-$268.7	-$327.3	-$366.6	-$401.9

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0	-$109.0	-$268.7	-$327.3	-$366.6	-$401.9

Background/Recent History: The State pays 100% of the employers' share of pension costs for most school system employees. These costs have been one of the fastest growing items in the State budget over the last five years, totaling $850 million in fiscal 2011, compared to $406.9 million in 2006. To address the cost escalation, the BRFA of 2010 established a commission to study and make recommendations about all aspects of State-funded benefits and pensions provided to State and public education employees and retirees.

In its January 2011 report, the Benefit Sustainability Commission recommended that, over the course of a brief phase-in period beginning in fiscal 2012, retirement costs (combined pension and Social Security costs) for teachers be shared so that the State provides 50% and the local boards of education support the remaining 50%. The recommendation acknowledges that the State plays no role in determining annual salary increases that are negotiated by the local boards and that represent a major component of growing retirement costs. The recommendation also recognizes Social Security costs that local boards have been fully paying since 1992.

If a 50-50 cost sharing of retirement begins in fiscal 2012, the local share would be $233 million. To soften the effect of beginning in fiscal 2012, $124.4 million in State funds available from the utilization of federal Education Jobs Funds in fiscal 2011 may be applied to the counties' fiscal 2012 teacher retirement share, rather than being applied to the State share of the foundation program.

The retirement cost sharing may be achieved on a wealth-equalized or non-equalized basis. The non-equalized calculation takes the full amount owed for retirement costs and divides it in half. For the wealth equalized calculation, the State increases direct aid to education by increasing the per pupil amount used in most formulas. This results in $233 million additional State aid distributed through wealth equalized formulas. The amount owed by counties is doubled from $233 million to $466 million. However, when the State provides half of the funds for the counties to pay their share, this amount is wealth equalized. Overall, the State provides half of the funds but wealthier counties will receive less than half and less wealthy counties will receive more than half. The remaining amount is paid by the State and is not wealth equalized.

State Effect: State general fund expenditures for teachers' retirement will decrease, beginning with a $109 million savings in fiscal 2012 and increasing to $268.7 million in fiscal 2013. Out-years reflect projected increases in teachers' salaries and the required pension contribution rate.

Local Effect: Costs for counties and county boards of education will increase to cover 50% of teacher retirement costs beginning in fiscal 2012. The calculation recognizes that local boards already fully pay for Social Security costs. **Exhibit 1** shows the local allocations on a wealth-equalized and non-equalized basis.

Exhibit 1
50-50 Cost Share of Teachers' Retirement
($ in Millions)

	Sustainability Commission/Equalized Model			Non-equalized Model
School System	**Increase in Direct Aid***	**Pension Costs (7.8%)**	**Net Impact**	**Pension Costs (3.9%)**
Allegany	$3.2	-$5.0	-$1.8	-$2.5
Anne Arundel	14.6	-38.8	-24.2	-19.4
Baltimore City	38.6	-43.6	-5.0	-21.8
Baltimore	26.4	-52.8	-26.4	-26.4
Calvert	4.1	-9.3	-5.3	-4.7
Caroline	1.9	-2.7	-0.8	-1.3
Carroll	6.8	-13.8	-6.9	-6.9
Cecil	4.7	-8.2	-3.5	-4.1
Charles	7.6	-13.5	-5.9	-6.8
Dorchester	1.5	-2.3	-0.8	-1.1
Frederick	10.9	-20.2	-9.2	-10.1
Garrett	0.9	-2.3	-1.4	-1.2
Harford	10.3	-18.7	-8.4	-9.4
Howard	10.5	-32.7	-22.2	-16.3
Kent	0.3	-1.3	-0.9	-0.6
Montgomery	27.6	-94.0	-66.4	-47.0
Prince George's	42.3	-68.8	-26.5	-34.4
Queen Anne's	1.5	-3.7	-2.2	-1.9
St. Mary's	4.4	-8.2	-3.8	-4.1
Somerset	1.1	-1.6	-0.5	-0.8
Talbot	0.5	-2.1	-1.6	-1.1
Washington	7.2	-10.6	-3.5	-5.3
Wicomico	5.2	-7.7	-2.5	-3.8
Worcester	0.8	-4.3	-3.5	-2.1
Total	**$232.7**	**-$466.1**	**-$233.4**	**-$233.1**

*$360 increase in per pupil amount.

Source: Department of Legislative Services

Proposed Amendment to HB 72/SB 87 as Introduced

Circuit Court Real Property Records Improvement Fund

Provision in BRFA as Introduced: Authorizes the transfer of $10.0 million from the Circuit Court Real Property Records Improvement Fund to the general fund on or before June 30, 2012.

Provision as Recommended by DLS: Strike the provision to transfer $10 million from the fund to the general fund.

Agency: Judiciary

Type of Action: Fund Balance Transfer

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

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		-$10.000				

Background/Recent History: The Circuit Court Real Property Records Improvement Fund, also known as the Land Records Improvement Fund (LRIF), is a nonlapsing fund that supports all personnel and operating costs within the land records offices of the Clerks of the Circuit Court, the maintenance costs of the Electronic Land Records Online Imagery system and its website, and the Judiciary's major information technology (IT) development projects. In fiscal 2012, these appropriations total approximately $37.9 million.

Revenue for the LRIF is generated primarily through a $20 recordation surcharge on all real estate transactions. In fiscal 2012, the estimated revenue is $16.8 million.

State Effect: The LRIF had an ending balance of $47.1 million at the close of fiscal 2010. Due to declining revenues, the fund balance is expected to decrease to $23.7 million at the close of fiscal 2011. The transfer proposed in HB 72/SB 87 may result in a negative -$7.4 million fund balance at the close of fiscal 2012. This amendment would leave the $10.0 million in the LRIF to ensure sufficient funds for fiscal 2012 operations. As a result, general fund revenues would be reduced by $10.0 million as compared with the BRFA as introduced.

Subcommittee Assignments: PSTE/PSA Alt-48

Proposed Amendment to HB 72/SB 87 as Introduced

Retiree Health Benefit

Provision in BRFA as Introduced: Removes retirees from the current State prescription drug plan and gives the State authorization to discontinue prescription drug benefits for Medicare-eligible retirees in fiscal 2020.

Provision as Recommended by DLS: In addition to the changes proposed by the Administration, extend the vesting period required for employees to qualify for the retiree health benefit from 5 to 15 years; extend the period before the maximum benefit is earned from 16 to 25 years; and require employees to retire directly from State service to qualify for a retiree health benefit, in addition to years of service requirements.

Agency: Statewide

Type of Action: Cost Control

Fiscal Impact of DLS Recommendation: There are negligible pay-as-you-go (PAYGO) expenditure savings related with this item, principally because the recommended actions adjust eligibility for a retiree benefit that will likely not be drawn in the near future as employees must first qualify for the benefit and then claim the benefit at a future retirement date to yield a savings.

The actuarial impact across the 30-year horizon for which the State calculates its Other Post Employment Benefits (OPEB) liability is an estimated net reduction of $943.0 million. The increase in the years of service to be eligible for a retiree health benefit at all represents $255.0 million in savings, the increased time to earn the maximum subsidy saves $302.3 million, and the addition of a requirement to retire directly from State service saves $385.3 million.

To the extent that the State begins making payments in the future toward funding its Annual Required Contribution for this benefit, the reduction in liabilities will yield PAYGO savings.

Background/Recent History: The Public Employees' and Retirees' Benefit Sustainability Commission (BSC) designed a proposal to make the plans more affordable that was linked to changes made across the combined active and retiree health insurance offerings. After studying numerous comparisons with plans offered by other states, BSC determined that the Maryland health program was among the most generous. It therefore recommended that the State adopt a goal of reducing State expenditures on employee and retiree health benefits by 10% to bring them closer to those of peer states and maintaining that parity in future years.

Proposed Amendment to HB 72/SB 87 as Introduced

Pension Reform Package

Provision in BRFA as Introduced: Multiple provisions that reform the State's pension benefit offerings to enhance the sustainability and affordability of the defined benefit offering.

Provision as Recommended by DLS: Reduces benefits to a greater degree than the Governor's proposal, particularly through a bifurcated cost-of-living adjustment (COLA) component for all future service, that provides budgetary relief on an annual basis while still moving toward the System's 80% funded status goal. Applies the majority of the Governor's recommendations for changes to the Employees' Pension System (EPS) and the Teachers' Pension System (TPS) to the other State systems. A comparison of the provisions is shown in **Exhibit 1**.

Agency: Statewide

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev						
GF Exp		-$104.4	-$104.4	-$147.9	-$207.1	-$267.1
SF Exp		-7.8	-7.8	-11.1	-15.5	-20.0
FF Exp		-7.8	-7.8	-11.1	-15.5	-20.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev						
GF Exp		$0.00	-$52.2	-$147.9	-$207.1	-$267.1
SF Exp		0.00	-3.9	-11.1	-15.5	-20.0
FF Exp		0.00	-3.9	-11.1	-15.5	-20.0

Major Components of Pension Benefits by System
Current Law vs. Administration's Plan vs. the Department of Legislative Services Proposal

	Current Law	Administration's Plan	DLS
Average Final Compensation			
EPS/TPS Members	3 consecutive years with highest average.	*New or non-vested:* 5 consecutive years with highest average.	*New or non-vested:* 5 consecutive years with highest average.
Other Systems	3 years with highest average.	No change.	Same as EPS/TPS.
Employee Contributions			
EPS/TPS Members	5.0%.	*Current members*: 7.0% to maintain a 1.8% multiplier; or 5.0% with a reduced multiplier of 1.5%. *New employees*: 7.0% with a 1.5% multiplier.	*Current members*: 7.0% to maintain a 1.8% multiplier; or 5.0% with a reduced multiplier of 1.5%. *New employees*: 7.0% with a 1.5% multiplier.
Judges	6%.	*New judges*: 8%. *Current judges*: No change.	*New judges*: 8%. *Current judges*: No change.
Other Systems	LEOPS: 4%; CORS: 5%; and Police: 8%.	No change.	*New LEOPS employees*: 7%.
Benefits			
EPS/TPS Members	1.8% multiplier.	*Current members*: 1.8% multiplier with an additional 2.0% of salary; or 1.5% multiplier to retain 5.0% contribution. *New employees*: 1.5% with a 7.0% mandatory contribution.	*Current members*: 1.8% multiplier with an additional 2% of salary; or 1.5% multiplier to retain 5.0% contribution. *New employees*: 1.5% with a 7.0% mandatory contribution.
Other Systems	LEOPS: 2.0% multiplier; Police: 2.55% multiplier; and Judge's: 2/3rds of a sitting judge's salary.	No change.	No change.

	Current Law	Administration's Plan	DLS
Eligibility Requirements			
EPS/TPS Vesting	5 years of service	*New employees*: 10 years.	*New employees*: 10 years. Apply to all systems (except Judge's).
Early Retirement Allowance EPS/TPS**	At least age 55 with 15 years of service – reduced 0.5% for every month before age 62.	*Current members*: No change. *New employees*: Age 60 with at least 15 years of service – reduced 0.5% for every month before age 65.	*Current members*: No change. *New employees*: Age 60 with at least 15 years of service – reduced 0.5% for every month before age 65.
Normal EPS/TPS Retirement Eligibility	30 years of service regardless of age or 62 with at least 5 years of service.	*Current members*: No change. *New employees*: 30 years of service regardless of age, or age 65 with 10 years of service.	*Current members*: No change. *New employees*: 30 years of service regardless of age, or age 65 with 10 years of service.
Normal Retirement Eligibility Other Systems	CORS: 20 years of service regardless of age.; LEOPS: age 50 or 25 years of service; Police: age 50 or 22 years of service; JRS: age 60.	No change.	*New Police employees*: Age 50 or 25 years of service.
Cost-of-living Adjustment (COLA)			
EPS/TPS Members	Capped at 3.0%.	*Current members*: No change. *New employees*: Capped at 3.0% in any year the SRPS achieves its assumed rate of return (currently 7.75%) and capped 1.0% else wise.	*For all service credit earned after July 1, 2011:* Capped at 3.0% in any year the SRPS achieves its assumed rate of return (currently 7.75%) and capped 1.0% else wise.
Other Systems	LEOPS: Capped at 3.0%; CORS and Police: Unlimited; and Judge's: Based on active judge's salary.	No change.	*For all service credit earned after July 1, 2011:* Capped at 3.0% in any year the SRPS achieves its assumed rate of return (currently 7.75%) and capped 1.0% else wise.
Deferred Retirement Option Program (DROP)	Available to all members of Police and LEOPS.	Closed to new or non-vested on July 1, 2011.	Maintain a DROP benefit, but modify the program to provide 2% compounded annual interest on account balances instead of the current 6% compounded monthly interest.

	Current Law	Administration's Plan	DLS
Systemwide Considerations			
Reinvestment of Savings	n/a.	After the fiscal 2012 use of $120 million and the fiscal 2013 $60 reduction, all future savings will be retained in pension trust to improve funded status.	Reinvestment in the system will be capped at $300 million in any given year.
Contribution Rate Calculation	n/a.	Rate calculation remains the same throughout process.	In any fiscal year, the system's required contribution may not exceed 20% as a percentage of payroll, in spite of the corridor calculation.
Funded Status	n/a.	Achieves 80% funding in fiscal 2023.	A goal of achieving 80% funded in 10 years will be set and the additional savings required to meet this goal should be generated through the application of a bifurcated COLA to all future retirees, exclusive of those in the ERS and TRS, which is contingent upon investment returns in the form proposed by the Administration for new hires.
Amortization Period and Actuarial Rate of Return	n/a.	No change.	The amortization period for the trust's holdings will be extended from 25 to 30 years closed, and the actuarial target annual rate of return will be defined in statute as 7.75%.

*Current members are required to make their benefit selection between 6/1/2011 and 6/15/2011. The default option in the event that no affirmative choice is made by 6/15/2011 is 7%/1.8% benefit. All elections are one-time irrevocable elections.
** Not applicable to other systems due to differing retirement eligibility factors.

CORS: Correctional Officers' Retirement System
EPS: Employees' Pension System
LEOPS: Law Enforcement Officers Pension System
SRPS: State Retirement and Pension System
TPS: Teachers' Pension System

Source: Department of Budget and Management; Department of Legislative Services

Background/Recent History: The BRFA of 2010 (Chapter 484 of 2010) created the Public Employees' and Retirees' Benefit Sustainability Commission to study and make recommendations with respect to State-funded health care benefits and pensions provided to State and public education employees and retirees. In its January 2011 report, the commission recommended that the State adopt a goal that the State Retirement and Pension System (SRPS) should achieve an 80% funded status on an actuarial basis within 10 years, and 100% funding within 30 years. Toward that end, the commission recommended a series of benefit restructuring measures to reduce State pension costs and recommended that at least some of the savings generated by those measures be reinvested in SRPS to pay down its unfunded liabilities. However, to maintain affordability, the commission recommended that the reinvested amount be subject to a cap to provide budgetary relief to the State.

The BRFA of 2011 includes some benefit restructuring measures along the lines recommended by the commission, but not as extensive. It also requires that all savings generated by the measures be reinvested in SRPS without being subject to a cap. In fiscal 2012 and 2013, the BRFA as introduced, retains $120 million and $60 million in savings, respectively, for budgetary relief, but in the remaining out years, it provides no budgetary relief due to the absence of a cap on the reinvestment of savings.

State Effect: Maintains the BRFA's $120 million pension contribution reduction for fiscal 2012, but supplies greater reinvestment totals into the pension trust across the forecast period ($83 million in fiscal 2012, $155 million in fiscal 2013, $41 million in fiscal 2014; $27 million in fiscal 2015; and $10 million in fiscal 2016). The cap on reinvestments at $300 million annually provides the amount required to bring the system's funded status to 80% by fiscal 2026. The amendments to the BRFA also reduce future budgeting needs such that the required employer contribution never exceeds 20% of payroll, whereas the Administration's plan requires 17 years of contributions in excess of this amount.

Local Effect: Teachers in the local school systems would see their employee contributions increase to 7%. No impact on local school board budgets would occur unless a cost sharing arrangement were enacted, in which case the cost exposure of the local boards of education would be reduced to a similar degree as the State's in proportion with the share of spending they assume.

Subcommittee Assignments: APP/B&T　　　　Alt-26 to 32

Proposed Amendment to HB 72/SB 87 as Introduced

Abandoned Property Notification Procedures

Provision in BRFA as Introduced: Repeals a requirement that the Comptroller publish notice of abandoned property accounts in local newspapers of general circulation. The Comptroller's Office is instead required to maintain an abandoned property database and publish notification of abandoned property accounts on an Internet website. The Comptroller must publish notice of the website at least once each quarter in local newspapers of general circulation.

Provision as Recommended by DLS: Consistent with the Comptroller's intent, DLS recommends that the budget committees modify this proposal to exclude those counties that have been identified as federally designated rural counties by the Rural Maryland Council (*i.e*., Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, St. Mary's, Talbot, and Worcester counties) to ensure individuals in all counties have access to the notifications. The savings associated with the provision in the BRFA as introduced assumed that these counties would be excluded, but the exclusion was inadvertently not included in the language.

Agency: Comptroller

Type of Action: Cost Control

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0	$500,000	$500,000	$500,000	$500,000	$500,000
SF Exp	0	-500,000	-500,000	-500,000	-500,000	-500,000

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

Background/Recent History: A similar provision was included in the Budget Reconciliation and Financing Act of 2010 (Chapter 484 of 2010).

State Effect: Beginning in fiscal 2012, special fund expenditures decrease by $500,000 annually due to the modification of the newspaper advertising requirement. It is anticipated that general fund revenues will increase by a corresponding dollar amount when, as required by statute, the special fund balance is transferred to the general fund at year-end.

Subcommittee Assignments: EBA/PSA Alt-2

Proposed Amendment to HB 72/SB 87 as Introduced

Youth Camp Accreditation

Provision in BRFA as Introduced: Require youth camps to receive alternative accreditation rather than be certified by the Department of Health and Mental Hygiene (DHMH).

Provision as Recommended by DLS: Strike the BRFA provision.

Agency: Department of Health and Mental Hygiene

Type of Action: Efficiency

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

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: The fiscal 2012 budget bill contains a contingent reduction of $334,152 for this provision. General fund expenditures would be expected to increase by this amount. Future increases vary, based on the number of youth camps and the number of youth camps that use alternative accreditation allowed under existing statute.

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp		$0.3	Increase	Increase	Increase	Increase

Background/Recent History: Current law requires DHMH to certify summer camps on an annual basis. Summer camps that are accredited by an alternative body are not required to pay a certification fee if they submit acceptable proof of their accreditation to the Secretary of DHMH. State certification fees vary from $75 for day camps, to $100 for residential camps, travel camps, and trip camps. Furthermore, the *Code of Maryland Regulations* (COMAR) specifies that the department must monitor youth camps for compliance and inspect camps as necessary to enforce regulations.

Within Maryland, there is only one organization that operates an accreditation program for youth camps. The American Camp Association accreditation program requires camps to undergo a thorough review (up to 300 standards) of its operation – from staff qualifications to emergency management. It is important to note that the accreditation standards of the American Camp Association are not in compliance with COMAR provisions applicable to youth camps. Furthermore, the American Camp Association accreditation fees are levied in proportion to a camp's budget. For instance, accreditation fees can vary from $550 per year to $3,200 per year depending on the camp's size. The Department of Legislative Services advises DHMH has the ability to raise fees through regulation to support costs associated with certifying and inspecting youth camps.

State Effect: This action has no impact compared to current law.

Local Effect: None.

Subcommittee Assignments: HHR/HHS Alt-14

Proposed Amendment to HB 72/SB 87 as Introduced

Section 16. Racetrack Facility Renewal Account

Provision in BRFA as Introduced: Requires the transfer of $3,600,000 from the Racetrack Facility Renewal Account to the Maryland Economic Development Corporation (MEDCO) in fiscal 2011. To the extent that the total amount of funds required for this transfer are not yet accrued in the account in fiscal 2011, the remainder is required to be transferred in fiscal 2012. An additional amount, up to $400,000, must also be transferred in fiscal 2012.

Provision as Recommended by DLS: Would allow the transfer of the funds only after all appeals relating to the rejection of the proposal for a Video Lottery facility operation license at Laurel racetrack are withdrawn or exhausted.

Agency: Department of Labor, Licensing, and Regulation

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

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

Background/Recent History: Chapter 4 of the 2007 special session authorized up to 15,000 video lottery terminals (VLTs) in five locations across that State. The legislation created the Racetrack Facility Renewal Account and required that 2.5% of VLT revenues to be deposited in the account to be used for capital improvements at horse racing tracks.

In 2009, the Video Lottery Facility Location Commission rejected a bid from the Laurel Racing Association to install VLTs at Laurel Racetrack due to a failure to pay the initial license fee. After a ballot measure to officially allow VLTs at a different location in Anne Arundel County, the owners of the racetracks submitted a severely reduced 2011 racing schedule to the Maryland Racing Commission, claiming that an ongoing operating deficit made it impossible to maintain the same level of racing.

In December 2010, the racing commission rejected the Maryland Jockey Club's proposal to significantly reduce the number of scheduled racing days, from 146 racing days in 2010 at Laurel Park and Pimlico to 77 racing days in 2011. As a result, the Jockey Club announced that it may need to lay off hundreds of employees and close Laurel Park and the Bowie training facility.

In order to prevent that eventuality, an agreement was reached between the State, the Jockey Club, the Maryland Horse Breeders' Association, and the Maryland Thoroughbred Horsemen's Association. In order to subsidize the racetrack operations for 2011, the State will advance $3.6 million and the breeders/horsemen will contribute $1.7 million to the Jockey Club. The State funds will be advanced using MEDCO, which will be repaid from VLT proceeds dedicated to racetrack capital improvements at Laurel and Pimlico.

This provision in the Budget Reconciliation and Financing Act will require racetrack capital renewal funds to be used to repay the advance from MEDCO. There are funds in the allowance for the racetrack renewal account for racetrack facility capital construction and improvements ($9.9 million). Because two VLT facilities are operational in fiscal 2011, the working appropriation also contains funds for this purpose ($3.1 million). Revised revenue estimates project $3.3 million in fiscal 2011.

This agreement will allow the racetracks to operate a 2011 live racing schedule similar to the 2010 racing schedule with a 146-day racing season that includes the one-hundred and thirty-sixth running of the Preakness at Pimlico. The agreement will also provide for the continued year-round operation of the Bowie Training Center.

State Effect: No additional effect from the proposed amendment.

Proposed Amendment to HB 72/SB 87

Maryland Legal Services Corporation

Provision as Recommended by DLS: Repeal Section 11-401 of the Human Services Article of the Annotated Code of Maryland which mandates that the Governor appropriate $500,000 annually from abandoned property funds for the Maryland Legal Services Corporation (MLSC).

Agency: Judiciary

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.000	$0.500	$0.500	$0.500	$0.500	$0.500
SF Exp	0.000	-0.500	-0.500	-0.500	-0.500	-0.500

Background/Recent History: The MLSC was established in 1982 to make grants to organizations providing legal services to indigent residents of the State. Revenue for grants stems from several sources, including the annual transfer of $500,000 in abandoned property funds to the MLSC as required by Section 11-401 of the Human Services Article. Although the abandoned property funds are appropriated to the MLSC as special fund expenditures, the abandoned property funds are essentially general funds since in lieu of the mandated transfer the funds would otherwise revert to the general fund. In response to declining revenue from other sources, the legislature enacted Chapter 486 of 2010 which increased the surcharge on certain circuit and District Court filing fees deposited into the MLSC Fund.

State Effect: General fund revenues increase by eliminating the mandate to transfer abandoned property funds to the MLSC. MLSC's special fund appropriation would decrease by $500,000 beginning in fiscal 2012 and each year thereafter. The appropriation for MLSC in fiscal 2012 after the reduction would be approximately $16.2 million.

Subcommittee Assignments: PSTE/PSA DLS-1

Proposed Amendment to HB 72/SB 87

Sellinger Formula

Provision as Recommended by DLS: Sets future year funding for qualifying independent colleges and universities under the Joseph A. Sellinger formula from fiscal 2013 through 2016 at 0.5 percentage points below the current level in statute. In fiscal 2017, the formula percentage returns to the level specified in current statute.

Agency: Maryland Higher Education Commission

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp			-$2.1	-$2.2	-$2.2	-$2.3

Background/Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2010 (Chapter 484) level funded the Sellinger formula in fiscal 2011 and 2012 at $38.4 million. The BRFA of 2010 also level funded the statutory formulas for community colleges and the Baltimore City Community College in fiscal 2011 and 2012. Increases in the percent of State support per student at the selected four-year institutions for the Sellinger formula was set to begin in fiscal 2013 (at 10%) so that the formula reaches its maximum statutory level in fiscal 2021, consistent with the other formulas.

State Effect: Mandated general fund expenditures for the Sellinger formula decrease by $2.1 million in fiscal 2013, with additional decreases thereafter, reaching $2.3 million in fiscal 2016. In fiscal 2017, the formula percentage returns to the level specified in current statute. Future year savings estimates use projected enrollment at independent colleges and universities and estimated funding levels for public four-year universities. Total estimated expenditures are shown below:

($ in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016
Current Law	$42.0	$45.4	$49.1	$52.9
DLS Proposal	39.9	43.3	46.9	50.6

Subcommittee Assignments: EED/EBA DLS-16

Proposed Amendment to HB 72/SB 87

Senator John A. Cade Funding Formula for Community Colleges

Provision as Recommended by DLS: Rebase formula percentage to 18.5% of per student funding at selected public four-year institutions and community college enrollments in fiscal 2013 and 2014 and increase annually to the full phase-in percentage of 29.0% in fiscal 2023.

Agency: Maryland Higher Education Commission

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp			-$26.0	-$40.8	-$42.1	-$43.4

Background/Recent History: The Cade formula funding enhancements enacted in Chapter 333 of 2006 have yet to be fully funded. The formula was revised under the Budget Reconciliation and Financing Act of 2010 (Chapter 484), which set fiscal 2013 at 21% of per student funding at selected public four-year institutions, fiscal 2014 at 22%, and the full phase-in percentage of 29% in fiscal 2021.

State Effect: Mandated general fund expenditures for community colleges decrease by $26.0 million in fiscal 2013 compared to current law. Estimated future year savings of the Department of Legislative Services recommendation are calculated using projections of per student funding at selected public four-year institutions and community college enrollments. The total estimated expenditures are shown below:

($ in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016
Current Law	$227.8	$256.4	$276.4	$297.8
DLS Proposal	201.7	215.6	234.3	254.4

Local Effect: Direct State aid for community colleges decreases by $26.0 million in fiscal 2013.

Subcommittee Assignments: EBA/EED DLS-17

Proposed Amendment to HB 72/SB 87

Urban Enterprise Zone Tax Credit

Provision as Recommended by DLS: For new credits issued beginning July 1, 2011, DLS recommends that the percent of the tax credit administered over the 10-year period be modified as follows: ● 50% credit in the first 6 years; ● 40% credit in year 7; ● 30% credit in year 8; ● 20% credit in year 9; and ● a 10% credit in year 10. Under the proposed modification, the State will continue to reimburse local governments for 50% of the property tax credits granted to businesses; however, local governments will also have the option to supplement the property tax credit granted for a maximum annual property tax credit of 80%.

Agency: State Department of Assessments and Taxation

Type of Action: Entitlement Relief

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0	$0	-$0.9	-$1.9	-$3.4	-$4.3

Background/Recent History: Tax credit payments for the Urban Enterprise Zone Tax Credit Program have increased significantly over the last decade. Under the program, businesses receive a 10-year credit against local real property taxes on a portion of real property improvements. The credit is 80% in the first 5 years, and decreases by 10% annually to 30% in the final year. During the course of the 10-year period, the State Department of Assessments and Taxation (SDAT) reimburses local governments for 50% of the property tax credit granted to businesses. The credit is based on the increased assessment from a base year either from rising assessments or from increases in value from renovations or capital improvement.

State Effect: Beginning in fiscal 2013, general fund expenditures decline by $0.9 million based on the assumption that 97 new businesses will be eligible for the property tax credit as of July 1, 2011. SDAT reports that the State's annual share of the tax credit is based on the prior year's tax credit assessment. The impact on the amount of the State's annual obligation increases over the specified time period as additional businesses become eligible for the credit.

Local Effect: Local government revenues will increase as a result of the modification in the property tax credit rate. However, revenues may decrease to the extent that local jurisdictions exercise the option to provide supplemental property tax credit relief.

Subcommittee Assignments: HHS/PSA DLS-4

Proposed Amendment to HB 72/SB 87

Bridge to Excellence Adequacy Study

Provision as Recommended by DLS: Delay until 2016 the study mandated by the Bridge to Excellence in Public Schools Act of 2002 to determine the level of funds needed for schools and school systems to expect that students can meet State academic standards.

Agency: Maryland State Department of Education

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law: Although funds are not included in the fiscal 2012 allowance, the study is expected to cost up to $500,000.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0.0	-$500,000	$0.0	$0.0	$0.0	$500,000

Background/Recent History: Maryland's education aid structure is based on the concept of "adequacy" – an empirical estimate of the funding that schools and school systems require in order to obtain the resources they need to reasonably expect that students can meet the State's academic performance standards. In 2001, a study was conducted by a private consultant to determine adequate funding, and the results led to the model of adequacy incorporated into the State's school finance structure by the Bridge to Excellence in Public Schools Act of 2002.

The Bridge to Excellence Act requires that a new adequacy study be underway by June 30, 2012. However, the State will be implementing the new Common Core curriculum and associated assessments in the next several years. The new assessments will not be operational until the 2014-2015 school year. The new curriculum and assessments will establish new expectations for students and schools, which will affect how adequacy is determined.

State Effect: Delaying the adequacy study reduces general fund expenditures by $500,000 in fiscal 2012. These funds are not included in the fiscal 2012 allowance. The adequacy study may result in an increase or decrease in the State funding obligation for each school system depending on the determined adequacy level and how it compares to current funding levels. A delay in the study means local school systems will continue to be funded through the current education aid structure until after fiscal 2016.

Local Effect: Local contributions for education aid will continue to be determined by the current funding structure until after fiscal 2016. Local contribution obligations could increase or decrease depending on a new adequacy level.

Subcommittee Assignments: EED/EBA DLS-15

Proposed Amendment to HB 72/SB 87

Attorney Grievance Commission

Provision as Recommended by DLS: Establish the Disciplinary Fund as a special fund and require it be held with the Treasurer rather than an uncodified fund held by the Attorney Grievance Commission (AGC); require that the Judiciary include the budget for AGC as a separate program in its annual budget request submission to the legislature; establish a fee maximum; and transfer $8.0 million from the fund balance of the existing Disciplinary Fund to the general fund on July 1, 2011.

Agency: Judiciary

Type of Action: Fund Balance Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		$8.000				
SF Rev		3.571	$3.749	$3.937	$4.134	$4.340
SF Exp		3.571	3.749	3.937	4.134	4.340

Background/Recent History: The AGC investigates and prosecutes attorneys whose conduct violates the Maryland Lawyers Rule of Professional Conduct as well as those engaged in the unauthorized practice of law. AGC does not receive an appropriation in the State budget for its expenditures. Funds to support the AGC's activities are generated by the Disciplinary Fund, a nonbudgeted fund, which was established by Maryland Rule. Two annual assessment fees levied on all practicing attorneys in the State, which currently total $145, provide revenue to the fund, a fee maximum is not established in statute.

State Effect: Special fund revenues and expenses increase by $3.6 million in fiscal 2012 with slight increases in following years. The expenses would be supported with special fund revenues from the Disciplinary Fund. The amendment would also transfer $8.0 million from the fund balance of the existing Disciplinary Fund to the general fund on July 1, 2011, increasing general fund revenues in fiscal 2012 only.

Subcommittee Assignments: PSTE/PSA DLS-2

Proposed Amendment to HB 72/SB 87

Administrative Charge for Users of State Retirement Agency

Provision as Recommended by DLS: Change the revenue source of the agency's expenditures from the pension trust to a charge of the State agencies and local employers that receive State funding for their retirement costs. Charge would begin in fiscal 2013.

Agency: State Retirement Agency

Type of Action: General Fund Revenue

Fiscal Impact of DLS Recommendation vs. Current Law:

($ in Millions)

	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
GF Rev			$17.3	$17.7	$18.0	$18.4

State Effect: The State would receive revenues from the largest user of the system's resources, the local boards of education and other non-State-managed entities such as local libraries and community colleges, which would be based on their share of the agency's expenses. The $17.3 million revenue total assumes a level per-employee administrative charge levied to employers against the total $28.4 million State Retirement Agency budget.

Local Effect: All revenues arriving to the State would be provided by the local employers that receive State funding for their retirement costs, primarily the local school boards.

Subcommittee Assignments: PSA/B&T DLS-23

Proposed Amendment to HB 72/SB 87

Department of Health and Mental Hygiene Vital Records Fees

Provision as Recommended by DLS: Double vital records fees from current levels. Vital records fees (birth, death, marriage certificates etc.) were last raised in 2003. At that time, Maryland's vital record fees ranked in the lower quartile nationwide. The 2003 increase raised them to the upper quartile. Since that time, fee actions in other states have been such that Maryland's fees once again are relatively low. The proposed action would restore those fee levels to the upper quartile; however, the fees are still below a number of other states. The proposed action, after accounting for an offset in expenditures in the Medicaid program for its proof of citizenship activities, is a general fund increase of $7.9 million.

Agency: Department of Health and Mental Hygiene

Type of Action: Revenue

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev		$8.8	$9.2	$9.5	$9.9	$10.3
FF Rev		0.9	0.9	0.9	0.9	0.9
GF Exp		0.9	0.9	1.0	1.0	1.1
FF Exp		0.9	0.9	1.0	1.0	1.1

State Effect: State general fund revenues would increase by $8.8 million in fiscal 2012. State general fund expenditures would increase by $0.9 million, with a corresponding increase in federal funds, to support increased costs to Medicaid associated with proof of citizenship requirements. Out-year costs assume 4% growth in applications for vital records.

Subcommittee Assignments: HHR/HHS DLS-11

Proposed Amendment to HB 72/SB 87

Transfer of Cigarette Restitution Funds to Medicaid

Provision as Recommended by DLS: Authorize the transfer by budget amendment of $444,000 in Cigarette Restitution Fund (CRF) dollars to the Medicaid program to offset a general fund reduction of the same amount. The additional CRF funding is made available by a $444,000 reduction to the nonpublic school textbook program in the Maryland State Department of Education.

Agency: Department of Health and Mental Hygiene

Type of Action: Use of Special Fund Revenue

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Exp	$0.0	-$0.444	$0.0	$0.0	$0.0	$0.0

Background/Recent History: In fiscal 2012, reductions in Master Settlement Agreement payments and other revenue adjustments are projected to significantly reduce total CRF revenues available for program support. Even with significant programmatic cuts to tobacco cessation and cancer prevention programming which carry over from fiscal 2011 into fiscal 2012, this reduced availability of funding results in a $20 million drop in CRF support for Medicaid in fiscal 2012 compared to 2011.

State Effect: State general fund expenditures are reduced by $444,000.

Subcommittee Assignments: HHR/HHS/EED/EBA DLS-13

Proposed Amendment to HB 72/SB 87

Reimbursement from Local Jurisdictions for Parole Services

Provision as Recommended by DLS: Require local jurisdictions to reimburse the Maryland Parole Commission for costs of conducting parole hearings for inmates in local correctional facilities.

Agency: Maryland Parole Commission (MPC); Division of Parole and Probation (DPP)

Type of Action: Cost Shift

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev						
GF Exp		-$0.6	-$0.6	-$0.6	-$0.6	-$0.6
SF Rev		0.6	0.6	0.6	0.6	0.6
SF Exp		0.6	0.6	0.6	0.6	0.6

Background/Recent History: MPC is responsible for conducting parole hearings at both the State and local level for any inmate sentenced to serve a term of six months or more and who has completed at least one-fourth of the aggregate sentence. An inmate has the right to waive the opportunity for a parole hearing. The parole process at the local level requires MPC to request DPP conduct a pre-parole investigation of the inmate.

State Effect: Under this action, MPC would develop a process for identifying the costs per county for conducting parole proceedings for locally sentenced inmates and require the counties to reimburse the State for those costs. Items to be incorporated into the per hearing cost include DPP personnel costs for conducting the pre-parole investigation, which average three hours per investigation; MPC personnel costs for scheduling, processing, and conducting parole proceedings for locally held inmates, and travel costs. This change would result in an estimated reduction of general fund expenditures of approximately $575,000 and corresponding increases in special fund revenues and expenditures. In fiscal 2012, a budget amendment would be required to increase the special fund appropriation.

Local Effect: The impact to each jurisdiction will vary depending on the cost of providing a parole hearing in that county and the number of hearings scheduled. The impact to local jurisdictions has the potential to be significantly reduced if a county were to utilize video teleconferencing services and equipment for conducting parole hearings.

Subcommittee Assignments: PSA/PSTE DLS-14

Proposed Amendment to HB 72/SB 87

Transfer Tax Redirection to General Fund

Provision as Recommended by DLS: Permanently redirect to the general fund, beginning in fiscal 2013, the annual State transfer tax revenue attributable to the 0.5% of the consideration paid for the transfer of real property from one owner to another. Mandate minimum funding levels from either general funds or general obligation bond funds for programs and purposes that under current statutory provision receive an allocation of State transfer tax revenues as provided for in Section 13-209 of the Tax – Property Article and Section 5-903 of the Natural Resources Article. Proposed allocations are shown in **Exhibit 1**.

Exhibit 1

Proposed Minimum Funding Mandate for State Transfer Tax Funded Programs

Fiscal 2013-2016

Agency	Program Allocation	2013	2014	2015	2016
MDP	Heritage Areas Authority	$3,000,000	$3,000,000	$3,000,000	$3,000,000
DNR	POS State Share	17,537,500	17,537,500	17,537,500	17,537,500
DNR	POS Local Share	17,537,500	17,537,500	17,537,500	17,537,500
DNR	Rural Legacy Program	2,500,000	2,500,000	2,500,000	2,500,000
DNR	Heritage Conservation Fund	900,000	900,000	900,000	900,000
MDA	MALPP	8,525,000	8,525,000	8,525,000	8,525,000
	Total	**$50,000,000**	**$50,000,000**	**$50,000,000**	**$50,000,000**

DNR: Department of Natural Resources
MDP: Maryland Department of Planning
MDA: Maryland Department of Agriculture
POS: Program Open Space

Note: The POS State Share portion will be allocated to POS State Land Acquisition, Capital Development, Critical Maintenance, and the Rural Legacy Program per the existing allocation formula.

Source: Department of Legislative Services

Modify the existing allocation under Section 13-209 of the Tax – Property Article and Section 5-903 of the Natural Resources Article to add the additional 1.0% State land acquisition amount to the 75.15% Program Open Space (POS) allocation and remove certain provisions. Remove from statute the following provisions: (1) the Department of Natural Resources (DNR), the Department of General Services, and the Maryland Department of Planning (MDP) receiving up to 3.0% of the overall transfer tax revenue for administrative expenses; (2) State parks and forests receiving the greater of $21.0 million or 21.0% of the POS allocation; and (3) the POS Capital Development allocation providing up to $1.2 million for operating State forests and parks. Beginning in fiscal 2013, these expenses would be supported by the general fund.

Modify the provision in Section 13-209 (g) of the Tax-Property Article requiring replacement of transfers of State transfer tax revenues to the general fund to apply only to the fiscal 2006 transfers.

In addition, add a provision whereby the mandated fiscal 2013 funding levels would be reduced by any fiscal 2011 transfer tax revenue underattainment.

Agencies: DNR, Maryland Department of Agriculture, and MDP

Type of Action: Mandate Relief and Special Fund Redirection

Fiscal Impact vs. Current Law: Annual State general fund revenues increase by the annual amount of estimated State transfer tax revenue less the amount needed to pay the debt service on outstanding Program Open Space Acquisition Opportunity Loan of 2009 bonds. General fund expenditures increase by $75.8 million in fiscal 2013 increasing to $78.0 million in fiscal 2016 to reflect mandated minimum spending levels for land preservation and heritage programs and the assumption that nonmandated expenditures continue at their current annual funding levels has a moderate annual increase. Special fund expenditures decrease by the amount of transfer tax directed to the general fund.

Exhibit 2 shows the net benefit to the general fund.

Background/Recent History: State transfer tax revenue and unexpended balances have been redirected and transferred to the general fund in recent years pursuant to budget reconciliation legislation. From fiscal 2006 to 2011, a total of $469.0 million in transfer tax revenue and fund balances has been redirected, of which $364.9 million has been or is scheduled to be replaced through fiscal 2013 pursuant to current law.

State Effect: Based on out-year estimates of transfer tax revenues provided by the Bureau of Revenue Estimates and the Department of Budget and Management (DBM) as of December 2010, the State General Fund receives a net revenue increase of $56.7 million in fiscal 2013, $74.8 million in fiscal 2014, $90.7 million in fiscal 2015, and $93.3 million in fiscal 2016. The mandated minimum level of annual funding for State land preservation and heritage programs is $50.0 million and is allocated by a modification of the existing provisions of Section 13-209 of the Tax – Property Article and Section 5-903 of the Natural Resources Article.

Exhibit 2
Net Benefit to General Fund
Fiscal 2013-2016

	2013	**2014**	**2015**	**2016**
Revenue (DBM/BRE estimate December 2010)	$134,015,323	$157,423,222	$174,233,726	$177,765,463
Debt Service Credit to Annuity Bond Fund	1,560,741	6,109,186	6,270,207	6,422,430
General Fund Revenue	$132,454,582	$151,314,036	**$167,963,519**	**$171,343,033**
Expenses				
Capital (Mandated Minimum)				
POS Overall (originally 75.15% and now 76.15%)	$38,075,000	$38,075,000	$38,075,000	$38,075,000
Heritage Areas Authority (up to $3 million)	3,000,000	3,000,000	3,000,000	3,000,000
POS State (50% after Heritage Areas Authority)	17,537,500	17,537,500	17,537,500	17,537,500
POS State Land Acquisition (remainder of POS State)	4,840,625	4,840,625	4,840,625	4,840,625
Rural Legacy Program (up to $8 million)	8,000,000	8,000,000	8,000,000	8,000,000
Capital Development (up to 25.0% of POS State plus Rural Legacy 5.0%)	4,696,875	4,696,875	4,696,875	4,696,875
POS Local (remainder)	17,537,500	17,537,500	17,537,500	17,537,500
MALPP (17.05%)	8,525,000	8,525,000	8,525,000	8,525,000
Rural Legacy (5.0%)	2,500,000	2,500,000	2,500,000	2,500,000
Heritage Conservation Fund (1.8%)	900,000	900,000	900,000	900,000
Subtotal	**$50,000,000**	**$50,000,000**	**$50,000,000**	**$50,000,000**
Operating (Not Mandated)				
Administrative Expenses (fiscal 2013 base of $3.6 million, 3.0% annual increase)	$3,567,450	$3,674,474	$3,784,708	$3,898,249
State Parks (fiscal 2013 base of $21.0 million; 3.0% annual increase)	21,000,000	21,630,000	22,278,900	22,947,267
State Parks Operating (part of Capital Development)	1,200,000	1,200,000	1,200,000	1,200,000
Subtotal	**$25,767,450**	**$26,504,474**	**$27,263,608**	**$28,045,516**
Total Expenses	**$75,767,450**	**$76,504,474**	**$77,263,608**	**$78,045,516**
Net Benefit to General Fund Assuming Nonmandated Operating Expenditures Continue	**$56,687,132**	**$74,809,563**	**$90,699,911**	**$93,297,517**

BRE: Bureau of Revenue Estimates
DBM: Department of Budget and Management
MALPP: Maryland Agricultural Land Preservation Program
POS: Program Open Space

Source: Department of Legislative Services

Local Effect: Local governments receive grants for land acquisition, the development of park and recreational facilities, and the purchase of easements funded through the local share of POS. Using the revenues estimated by the Bureau of Revenue Estimates and DBM in December 2010, local governments would receive less POS local share funding in fiscal 2013 through 2016 as shown in **Exhibit 3.**

Exhibit 3

Estimated POS Local Share Allocation Difference between Proposed BRFA Provision and Current Statute

Fiscal 2013-2016

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
BRFA Provision	$17,537,500	$17,537,500	$17,537,500	$17,537,500
Existing Statute	25,776,715	32,190,337	35,831,354	36,570,408
Difference	**-$8,239,215**	**-$14,652,837**	**-$18,293,854**	**-$19,032,908**

BRFA: Budget Reconciliation and Financing Act

Note: The numbers above reflect revenues estimated by the Bureau of Revenue Estimates and Department of Budget and Management in December 2010 and no changes in the existing statutory formula through the time period shown. In addition, it is assumed that there will be no further adjustment to the fiscal 2011 underattainment (affects fiscal 2013). The fiscal 2011 underattainment already has been factored into the general fund revenues.

Source: Department of Legislative Services.

Proposed Amendment to HB 72/SB 87

Program Open Space Administration

Provision as Recommended by DLS: Authorize the use of $1,217,000 of the State's share of the Program Open Space (POS) funds in fiscal 2012 for administrative expenses in the Department of Natural Resources (DNR), Department of General Services, and the Maryland Department of Planning. The steep decline in transfer tax revenues has resulted in insufficient funding for POS administration. This provision of the bill would help resolve that problem for fiscal 2012 and is in concert with the Administration's intent. The Administration indicates that it intended to allocate $1,217,000 of the fiscal 2012 State land acquisition funding for POS administration, but inadvertently did not include the provision in the either the operating budget bill or the BRFA of 2011.

Agency: Department of Natural Resources

Type of Action: Use of Special Fund Revenues

Fiscal Impact vs. Current Law: None. This action redistributes special fund revenues and expenditures but does not affect the overall level of either.

Background/Recent History: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another has been used to fund several programs in DNR and the Maryland Department of Agriculture. However, before any program-specific allocations are made, 3.0% of the transfer tax revenue is distributed to DNR and the other agencies involved in POS for their administration of the program.

The BRFA of 2009 included an identical provision authorizing the use of funds for fiscal 2010 and 2011 only.

State Effect: POS special fund expenditures of $1.2 million per year are shifted from State land acquisition to other purposes for fiscal 2012 only.

Local Effect: There is no local effect since the provision impacts the POS State share.

Subcommittee Assignments: CPH/CAP DLS-9

Proposed Amendment to HB 72/SB 87

Establish Ambulance Transport Fee

Provision as Recommended by DLS: Establish a fee for patients transported to the hospital by the BWI Fire and Rescue Department. Nineteen of 24 Maryland jurisdictions currently charge fees for transporting patients to the hospital. Fees vary based on jurisdiction and level of service provided in the ambulance. This provision establishes fees of $350 for basic life support, $550 for advanced life support level 1, $600 for advanced life support level 2, and a loaded mileage charge of $13 per mile. These fees are comparable to those charged in most Maryland jurisdictions and maximize reimbursement from Medicare, Medicaid, and private insurance plans. This provision also enables the Maryland Aviation Administration to procure third party billing and to establish a financial hardship waiver policy for those unable to pay.

Agency: Maryland Department of Transportation – Maryland Aviation Administration

Type of Action: Cost Recovery

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Rev		$0.5	$0.5	$0.5	$0.5	$0.5

State Effect: Annual revenues to the Transportation Trust Fund are estimated at $500,000 based on current call volumes and number of transports. Third party billing expenses are minimal. The effect of financial hardship waivers on revenues is not known until the terms of the financial hardship policy are established.

Subcommittee Assignments: T&E/PSTE DLS-8

Proposed Amendment to HB 72/SB 87

Farebox Recovery

Provision as Recommended by DLS: Specify that the one-way fare for Baltimore Area services should be at least $2.00 in order to meet the statutory 35% farebox recovery requirement and that the Maryland Transit Administration can adjust its other pass products accordingly to at least meet the statutory requirement.

Agency: Maryland Transit Administration

Type of Action: Fee Increase

Fiscal Impact vs. Current Law: Special fund revenues would increase $17.5 million in fiscal 2012 and each fiscal year thereafter as ridership grows.

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Rev		$17.5	$17.9	$18.5	$18.9	$19.4

Background/Recent History: Chapter 684 of 2008 reduced the statutory farebox recovery rate to 35% for Baltimore area core services and MARC service beginning in fiscal 2010. MTA fares were last increased in 2004 and are currently $1.60.

State Effect: Revenues to the Transportation Trust Fund would increase by $17.5 million in fiscal 2012. MTA would meet the 35% requirement in fiscal 2012; however, it is likely that incremental fare increases in future fiscal years would be required to meet the statutory requirement. The revenue estimates include an anticipated decline in ridership as a result of fares increasing.

Local Effect: None.

Subcommittee Assignments: T&E/PSTE DLS-6

Proposed Amendment to HB 72/SB 87

Annuity Bond Fund/State Police Helicopter Replacement Fund

Provision as Recommended by DLS: Amend Section 2-801 of the Public Safety Article (*i.e.*, State Police Helicopter Replacement Fund (SPHRF)) to specify that (1) the proceeds derived from the sale of the existing fleet be deposited into the SPHRF for the purchase of a full motion flight simulator for pilot training; and (2) following the purchase of the simulator, the remaining proceeds from the sale of existing fleet shall be deposited into the Annuity Bond Fund to pay the debt service associated with the procurement of the new helicopter fleet.

Agency: Department of State Police; Department of Budget and Management

Type of Action: Use of Special Fund Revenue

Fiscal Impact vs. Current Law: Assumes that flight simulator will be purchased in the year in which the full amount of funds required for purchase (anticipated cost of $5.4 million) is available. Revenue assumptions are based on the plan for the sale of the current fleet (two in fiscal 2012, eight in fiscal 2013, and one in fiscal 2014).

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Rev	$0.0	$4.0	$16.0	$2.0	$0.0	$0.0
SF Exp	0.0	0.0	5.4	0.0	0.0	0.0

Background/Recent History: Chapter 416 of 2006 established the SPHRF within the Public Safety Article. Chapter 416 states that revenue deposited into the fund may be used for the procurement of new helicopters and auxiliary helicopter equipment, ground support equipment, and other capital equipment related to helicopters. Due to budget constraints, the appropriation was cancelled, and the BRFA of 2009 (Chapter 487) authorized the transfer of the balance remaining in the SPHRF at that time to the general fund. In lieu of these funds, the Maryland Consolidated Capital Bond Loan (MCCBL) of 2009 included $52.5 million in general obligation bonds to begin the initial purchase of Medevac helicopters. The MCCBL of 2011 reflects an additional $67.9 million, of which $45.2 million was pre-authorized through fiscal 2015, to purchase 10 helicopters.

Chapter 6 of the 2007 special session expressed the intent that the Department of State Police purchase a flight simulator for helicopter pilot training.

State Effect: It is estimated that, on average, the State will receive $2.0 million per aircraft from the sale of the 11 helicopters in the State's existing fleet. In lieu of the proceeds going to the general fund, the proceeds will be distributed first to the SPHRF for the procurement of a full motion flight simulator (which is estimated to cost $5.4 million) with the remainder to the Annuity Bond Fund to pay the debt service associated with the procurement of the new helicopter fleet. There is no change to expenditures from the Annuity Bond Fund to pay for the debt service.

Local Effect: None.

Proposed Amendment to HB 72/SB 87

Senior Prescription Drug Assistance Program

Provision as Recommended by DLS: Transfer $1 million in Senior Prescription Drug Assistance Program (SPDAP) fund balance to the general fund. The BRFA of 2011 transfers $2.5 million from the SPDAP to Medicaid in fiscal 2011, and $3 million to Medicaid for the Kidney Disease Program in both fiscal 2012 and 2013. However, even after these proposed transfers, based on existing revenue and expenditure patterns SPDAP will have a fund balance of $7.1 million in fiscal 2011, $5.3 million in fiscal 2012, and $2.3 million in fiscal 2013 when the program is scheduled to sunset. The proposed additional $1.0 million transfer in fiscal 2012 still leaves an adequate cushion for the program.

Agency: Maryland Health Insurance Plan

Type of Action: Fund balance Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.0	$1.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: SPDAP receives funding from the CareFirst premium tax exemption. In recent years, the program has accrued significant fund balances. Consequently, the BRFA of 2010 transferred $15.5 million in fund balance to various programs for fiscal 2010 and $1.5 million in fund balance to Medicaid for the Kidney Disease Program in fiscal 2011. Even after the additional proposed fiscal 2011, 2012, and 2013 fund balance transfers, SPDAP projects a fiscal 2013 fund balance of $2.3 million.

State Effect: State general fund revenues increase by $1.0 million.

Subcommittee Assignments: HHR/HHS DLS-3

Proposed Amendment to HB 72/SB 87

Baltimore City Community College

Provision as Recommended by DLS: Authorize a transfer from the Baltimore City Community College (BCCC) fund balance of $2,297,142 to the general fund in fiscal 2012.

Agency: Baltimore City Community College

Type of Action: Fund Balance Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Rev	$0.0	$2.3	$0.0	$0.0	$0.0	$0.0

Background/Recent History: A portion of the fund balances of the University System of Maryland (USM), Morgan State University, and BCCC were transferred to the general fund as a result of the Budget Reconciliation and Financing Act of 2010 (Chapter 484). However, as a percentage of the total fund balance, BCCC's transfer was the smallest. This action would align, on a percentage basis, the transfers from BCCC's fund balance with those from USM's fund balance.

State Effect: General fund revenues increase by $2,297,142 in fiscal 2012. An estimated $13,614,652 would remain in the BCCC fund balance after the transfer.

Subcommittee Assignments: EBA/EED DLS-20

Proposed Amendment to HB 72/SB 87

Voluntary Separation Programs at Public Universities

Provision as Recommended by DLS: To the extent that a Voluntary Separation Program (VSP) is instituted in the University System of Maryland (USM), St. Mary's College of Maryland (SMCM), and Morgan State University (MSU), require that, notwithstanding the autonomy to create positions as needed, the institutions may not recreate positions deleted in accordance with a VSP. In addition, the State-supported portion of the salaries of the positions deleted should be transferred to the general fund.

Agency: University System of Maryland, St. Mary's College of Maryland, and Morgan State University

Type of Action: Cost Control

Fiscal Impact vs. Current Law: Indeterminate. Savings depend on the institutions implementing a VSP, the nature of incentives offered to employees, the classifications of positions allowed to participate, and the number of positions actually abolished.

Background/Recent History: Executive Order 01.01.2010.23 established a VSP for most Executive Branch agencies. Intended to reduce the size of State government, the program provided a one-time payment of $15,000 plus $200 for every year served to each participating employee. The positions were abolished through a Board of Public Works action in February 2011. Under the executive order, USM, SMCM, and MSU were not required to participate, but they are allowed to implement their own program.

State Effect: Indeterminate. To the extent that positions are abolished at USM, SMCM, or MSU, money will be transferred to the general fund in fiscal 2012. In future years, there may be savings as a result of a smaller workforce at the institutions.

Proposed Amendment to HB 72/SB 87

Abolish the Maryland Aviation Commission and Maryland Port Commission

Provision as Recommended by DLS: Abolish the Maryland Aviation Commission (MAC) and Maryland Port Commission (MPC). MAC provides oversight and approval of certain activities of the Maryland Aviation Administration (MAA). MPC provides oversight and approval of certain activities of the Maryland Port Administration (MPA). The oversight and approval duties of these commissions are duplicative of approvals and oversight required by other entities, like the General Assembly and the Board of Public Works. This impairs MAA and MPA's ability to expedite procurements when necessary for business reasons. The only duty singularly assigned to MAC or MPC is determining the qualifications, appointment, and compensation for up to 12 management personnel employees whose salaries may be set outside of the State's current salary schedule. This duty should be reassigned to the Secretary of Transportation, who currently must approve these actions.

Agency: Maryland Department of Transportation

Type of Action: Efficiency

Fiscal Impact vs. Current Law:

($ in Thousands)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Exp		-$50	-$50	-$50	-$50	-$50

State Effect: This action reduces annual budgeted expenditures for MAA by $25,000 and annual budgeted expenditures for MPA by $25,000.

Subcommittee Assignments: T&E/PSTE DLS-7

Proposed Amendment to HB 72/SB 87

Food Service Facility License Fees

Provision as Recommended by DLS: Permit local health departments to set food service facility license fees based on operating costs.

Agency: Department of Health and Mental Hygiene (DHMH)

Type of Action: Efficiency.

Fiscal Impact vs. Current Law: None. This action impacts only local government revenue and expenditures.

Background/Recent History: DHMH has delegated numerous responsibilities to local health departments including licensing and inspecting food service facilities. Except in Anne Arundel County, Baltimore City, Montgomery County, and Prince George's County statute sets the maximum fee a county may charge a food establishment for licensure at $300. This fee is intended to cover the cost of licensing and inspecting a food service facility by a local health department. Such inspections are necessary to protect public health and prevent the spread of foodborne illness.

Current food service facility fees are inadequate to cover the cost of these delegated functions and in many cases Core Public Health funding is needed to successfully license and inspect food service facilities. Since Core funding for environmental health has decreased by 56% since fiscal 2009, there are no longer funds to offset the cost of food service facility inspections. Subsequently, local health departments report that food service facility inspections are conducted below the rates required by *Code of Maryland Regulations.*

State Effect: None.

Local Effect: Significant increases in revenues for counties that increase fees for delegated food service facility licensing activities.

Subcommittee Assignments: HHR/HHS DLS-12

Proposed Amendment to HB 72/SB 87

Maryland Higher Education Commission Scholarships

Provision as Recommended by DLS: Create a special fund for unused scholarship funds, under Section 18-107 of the Education Article, which may not revert to the general fund. The special fund may only be used for need-based awards.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Good Government

Fiscal Impact vs. Current Law: Overall expenditures would neither increase nor decrease; however, the fund source of the expenditures would alter. For example, at the close of fiscal 2010 MHEC had approximately $1.0 million of unexpended scholarship funds which would have been expended as general funds in fiscal 2011. Under this provision, these funds would be transferred into a special fund account, increasing special fund revenue and expenditures by $1.0 million.

Background/Recent History: Current State law provides that unexpended student financial aid appropriations are retained by the Maryland Higher Education Commission (MHEC) to award in the following fiscal year, though no accounting mechanism exists to retain unexpended general fund appropriations. A recent audit by the Office of Legislative Audits (OLA) found that to encumber unexpended funds, MHEC created purchase orders identifying the vendor as the "State of Maryland," reallocated funds the following fiscal year to the appropriate grant programs, and processed a budget amendment reflecting the transfer. OLA recommended that MHEC work with the Department of Budget and Management and the Comptroller of Maryland to identify an appropriate method for retaining unexpended scholarship funds in accordance with State law.

State Effect: This provision has no impact on the overall expenditures of scholarships compared to current law. Unused scholarship funds, under Section 18-107, that may not revert to the general fund would go into a special fund at the close of each fiscal year to be used for need-based awards. Special funds would then be appropriated in the budget or recognized by budget amendment in the following fiscal year, creating a method for MHEC to encumber unexpended scholarship funds while improving transparency. Unexpended and encumbered funds for legislative and Veterans of Afghanistan and Iraq Conflict scholarships, and the Loan Assistance Repayment Program, would not be affected.

Subcommittee Assignments: EED/EBA DLS-18

Proposed Amendment to HB 72/SB 87

Planning and Implementation Programs for Major Information Technology Projects

Provision as Recommended by DLS: Require that the Department of Information Technology (DoIT) develop two programs for its major information technology (IT) development projects; a planning program for projects that are early in development and an implementation program for projects that have a baseline budget. Legislative approval is required for all projects in the implementation program.

Agency: Department of Information Technology

Type of Action: Budget Process

Fiscal Impact vs. Current Law: None.

Background/Recent History: DoIT became an independent department in 2008. Major IT project planning has evolved in recent years. The 10-step Systems Development Life Cycle (SDLC) methodology was developed in 2006. Managing for Results data show reductions in the number of schedule and cost changes for projects that have a baseline budget.

Currently, major IT projects are approved before much planning has been completed. At the time of approval, DoIT provides an estimate of total project costs. Concerns have been raised by legislators that these initial cost estimates are often substantially revised. Major IT projects require substantial resources, are built over a period of years, and are used for many years. In other words, major IT projects are capital budget projects. As such, the planning and implementation processes of major IT projects should be similar to that of capital budget projects.

To improve budgeting, DLS recommends that the major IT project planning process be modified to adopt more capital budget planning features. One capital planning tool is to divide projects into two programs: a planning program and an implementation program. Projects in the first four phases of the SDLC process (initiation, system concept development, planning, and requirements analysis) are placed in a planning program and budgets include only the costs for the four phases. Once a project has a baseline budget and has been approved to be implemented, the project could be placed in an implementation program that includes the total cost of the project. Legislative approval of the project should be required before a project can be placed in the implementation program.

State Effect: This impact will not impact overall expenditures but will improve IT project planning and cost estimation.

Subcommittee Assignments: PSA/B&T DLS-5

Proposed Amendment to HB 72/SB 87

Downpayment and Settlement Expense Loan Program

Provision as Recommended by DLS: Amend Section 4-307 of the Housing and Community Development Article of the Annotated Code of Maryland to require loans needed through the Downpayment and Settlement Expense Loan Program (DSELP) be limited to the amount of the matching fund provided by the borrower for settlement expenses at the time of mortgage settlement.

Agency: Department of Housing and Community Development (DHCD)

Type of Action: Other

Fiscal Impact vs. Current law: None.

Background/Recent History: The DSELP provides 0% deferred loans to borrowers that do not have the resources for a down payment on a home. Although these loans are limited to $3,500 per borrower, borrowers may also qualify for up to $10,000 in additional down payment or closing cost assistance through DHCD's House Keys 4 Employees program. DSELP loans are paid back when the mortgage matures or the home is sold. This causes some unpredictability in loan repayments since the amortization of loans is based on the anticipated home sale date or mortgage maturity rather than routine, structured payments. DSELP loans are available to borrowers that purchase a home through the Community Development Administration's Maryland Mortgage Program.

State Effect: No impact. Although such changes may improve long-term special fund revenue projections, DSELP loans are only paid back when the mortgage matures or the home is sold. Therefore, the action is unlikely to have an immediate impact on revenue projections.

Subcommittee Assignments: CPH/CAP DLS-21