
Contingent Reduction Options (SB 150 Fiscal Year 2013 Budget Bill)

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

March 2012

Contingent Reduction Options

Education

Reduce per pupil foundation amount from \$6,694 to \$6,650	\$70.9
Eliminate Geographic Cost of Education Index	128.8
Eliminate Teacher Quality Incentives and National Board Certification fees	5.2
<i>Subtotal – Education</i>	<i>\$204.9</i>

Other Local Aid

Reduce disparity grant by 10%	\$12.0
Eliminate supplemental disparity grant	19.6
Eliminate Police Aid grants	45.4
Reduce library and State library network funding by 10%	5.0
Eliminate local law enforcement grants	20.8
<i>Subtotal – Other Local Aid</i>	<i>\$102.7</i>

Tax Credits

Eliminate Stem Cell Research Fund	\$10.4
Eliminate Biotechnology Tax Credit	8.0
Eliminate Sustainable Communities Tax Credit	7.0
<i>Subtotal – Tax Credits</i>	<i>\$25.4</i>

Health and Human Services

Reduce Medicaid	\$100.8
Eliminate provider increases for DDA, MHA, foster care, and nonpublic placements	15.2
Reduce capacity at the RICAs; patients can be absorbed in private RTCs	6.5
<i>Subtotal – Health and Human Services</i>	<i>\$122.5</i>

Higher Education

Reduce public higher education by 10%	\$115.5
Reduce funding for community colleges by 10% below the BRFA	19.9
Eliminate nonpublic higher education grants	38.4
Eliminate Delegate and Senatorial scholarships	11.8
<i>Subtotal – Higher Education</i>	<i>\$185.6</i>

Environmental Programs

Eliminate Chesapeake and Atlantic Coastal Bays 2010 Trust Fund programs	<i>\$25.0</i>
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State Agencies

Eliminate State employee COLA	\$33.8
Increase employee share of health insurance costs	15.0
Eliminate 500 positions	30.0
Reduce agency operating expenses by 8%	50.0
<i>Subtotal – State Agencies</i>	<i>\$128.8</i>

Grand Total	<i>\$794.9</i>
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BRFA: Budget Reconciliation and Financing Act
COLA: cost-of-living adjustment
RICA: Regional Institute for Children and Adolescents

DDA: Developmental Disabilities Administration
MHA: Mental Hygiene Administration
RTC: Residential Treatment Center

Per Pupil Foundation Amount

Description of the Action: Reduce the per pupil foundation amount to \$6,650 resulting in a \$70.9 million savings.

Impact: This action would result in a \$44 reduction in the per pupil foundation amount below the fiscal 2012 level while allowing for enrollment growth. The State Share of Foundation program would be reduced by \$72.3 million, which includes \$70.9 million in savings to the general fund offset by a need to restrict \$1.4 million to be transferred to the Guaranteed Tax Base program. Fiscal impacts would flow through to the following programs, resulting in the projected fiscal 2013 net savings of \$70.9 million.

- State Share of Foundation Program;
- Compensatory Education;
- Students with Disabilities; and
- Limited English Proficient

Recent Funding History: The per pupil foundation amount has been funded at \$6,694 since fiscal 2008. Inflation adjustments to the per pupil amount were eliminated in fiscal 2009 and 2010 by Chapter 2 of the 2007 special session. Annual inflationary adjustments were set to begin again in fiscal 2011 but inflation indexes did not rise and there was no inflation increase budgeted for the per pupil amount. Chapter 397 of 2011 limits inflation in fiscal 2013 through 2015 to 1.0%.

Geographic Cost of Education Index

Description of the Action: Eliminate the Geographic Cost of Education Index (GCEI) – \$128.8 million.

Impact: Local education agencies located in regions where the cost of educational resources is higher due to factors beyond the control of local jurisdictions will have fewer funds to meet needs.

Recent Funding History (\$ in Millions): The GCEI is a discretionary formula established by the Bridge to Excellence Act. Funding for the program is not mandated. The formula received no funding through fiscal 2008. Funding was phased in beginning in fiscal 2009. The program was first fully funded in fiscal 2010, and was fully funded in both fiscal 2011 and 2012.

Fiscal 2009	\$37.9
Fiscal 2010	126.3
Fiscal 2011	126.6
Fiscal 2012	127.3

Teacher Quality Incentives and National Board Certification Fees

Description of the Action: Eliminate Teacher Quality Incentives and National Board Certification fees – \$5.2 million.

Impact: Teachers and other instructional personnel with national Board Certification will no longer receive annual stipends of \$2,000 for working in a school with comprehensive needs and \$1,000 for working in a school without comprehensive needs. In fiscal 2010, 1,415 stipends were awarded for nationally certified teachers; 35 were for teachers in schools with comprehensive needs and the remainder went to teachers in schools without comprehensive needs. Additionally, teachers in comprehensive needs (restructuring or corrective action) schools receive \$1,500 annually; 1,650 of these stipends were awarded in fiscal 2010.

Recent Funding History: The Budget Reconciliation and Financing Act of 2009 altered eligibility and stipend amounts for Teacher Quality Incentives, including the elimination of a \$1,000 salary signing bonus for qualifying teachers, decreasing general fund expenditures in fiscal 2010 by \$5.3 million, leaving \$4.2 million in the budget. In fiscal 2011 Teacher Quality Incentives and National Board Certification combined were funded at \$5.6 million, and are funded at \$5.2 million in fiscal 2012 and 2013.

Disparity Grants

Description of the Action: Reduce Disparity Grants by 10%, or \$12.0 million.

Impact: This action would reduce funding general aid to local jurisdictions below 75% of the statewide per capita income tax. The program reflects the State's policy to improve fiscal equity among jurisdictions by making less affluent jurisdictions less dependent on their own tax base to fund services. Disparity grants address the difference in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for most counties. Reductions would be implemented as outlined below:

<u>County</u>	<u>10% Reduction</u>
Allegany	\$729,851
Baltimore City	7,754,249
Caroline	213,178
Dorchester	202,269
Garrett	213,127
Prince George's	2,169,477
Somerset	490,817
Wicomico	219,704
Total	\$11,992,672

Recent Funding History (\$ in Millions): The program has been funded as shown below:

Fiscal 2008	\$114.8
Fiscal 2009	115.5
Fiscal 2010	121.4
Fiscal 2011	121.4
Fiscal 2012	119.7

Supplemental Disparity Grant

Description of the Action: Eliminate one-time general fund Supplemental Grant of \$19.6 million allocated to local jurisdictions that are eligible for Disparity Grants.

Impact: The Governor had provided \$19.6 million allocated to the following eight local jurisdictions to mitigate the cost of shifting a portion of teacher and librarian retirement to the counties.

<u>County</u>	<u>One-time Supplemental Grant</u>
Allegany	\$1,632,106
Baltimore City	6,972,596
Caroline	685,108
Dorchester	308,913
Garrett	406,400
Prince George's	7,628,702
Somerset	381,999
Wicomico	1,567,837
Total	\$19,583,662

Recent Funding History: The program has not been funded prior to fiscal 2013.

Eliminate Police Aid Grants

Description of the Action: This action would reduce the remaining local share of the State Aid for Police Protection grants totaling \$45 million in fiscal 2013.

Impact: This action would eliminate the local share of police aid, which would reduce law enforcement funding in the counties and Baltimore City.

Police Aid Distribution Fiscal 2013

<u>County</u>	<u>County Share</u>
Allegany	\$565,744
Anne Arundel	4,323,397
Baltimore City	53,839
Baltimore	6,317,434
Calvert	513,835
Caroline	223,356
Carroll	1,044,214
Cecil	635,123
Charles	800,823
Dorchester	248,740
Frederick	1,491,173
Garrett	154,606
Harford	1,785,739
Howard	2,256,458
Kent	130,799
Montgomery	9,846,736
Prince George's	11,694,871
Queen Anne's	266,490
St. Mary's	558,918
Somerset	161,907
Talbot	264,152
Washington	959,605
Wicomico	665,452
Worcester	457,571
Total	\$45,420,982

Recent Funding History (\$ in Millions): Following is a summary of police aid grants from fiscal 2008 to 2013.

Fiscal 2008	\$66
Fiscal 2009	66
Fiscal 2010	45
Fiscal 2011	45
Fiscal 2012	45

Library and State Library Network

Description of the Action: Reduce library and State Library Network funding by 10% – \$5.0 million.

Impact: The public library formula provides funds to county libraries, although such libraries are funded primarily by local governments. The State provides 17% of local library funds, 4% of which is for retirement. The State also provides funds to libraries designated as resource centers. This action would reduce the resources available to county libraries and the State Library Network in fiscal 2013 by \$5.0 million.

Recent Funding History: Chapter 481 of 2005 provided funding increases for county public libraries based on an increase in a per capita formula funding level. Budget reconciliation legislation enacted between 2007 and 2011 has slowed enhancements and reduced the target per resident amount to \$14 instead of \$16. The per resident amount from fiscal 2012 through 2016 is \$14.

State funding for the State Library Resource Center had been steady at \$1.85 per Maryland resident, but Chapter 487 of 2009 reduced the amount to \$1.67 per resident in fiscal 2010 and 2011. The BRFA of 2011 sets per capita funding at \$1.67 through fiscal 2016.

Funding for regional resource centers decreased to \$6.75 per resident of the region in fiscal 2010 and 2011. The BRFA of 2011 sets per capita funding for regional resource centers at \$6.75 through fiscal 2016.

		<u>\$ in Millions</u>		<u>\$ in Millions</u>
FY 2008	Public Libraries	\$34.5	State Library Network	\$16.3
FY 2009	Public Libraries	33.2	State Library Network	16.4
FY 2010	Public Libraries	33.0	State Library Network	15.6
FY 2011	Public Libraries	33.0	State Library Network	15.7
FY 2012	Public Libraries	33.6	State Library Network	15.8

Local Law Enforcement Grants

Description of the Action: The proposed action eliminates \$20.8 million in general funds for local law enforcement grant programs administered by the Governor's Office of Crime Control and Prevention. Baltimore City and Prince George's County receive the majority of this funding for foot patrol, violent crime control, community policing, and drug-related law enforcement. However, grant funding is also appropriated for statewide initiatives, such as sex offender oversight, at-risk youth and child advocacy programs, a domestic violence pilot program, and geographic or jurisdictional-based crime reduction activities.

Impact: Eliminating the various local law enforcement or crime reduction grants results in a \$20.8 million general fund decrease in the fiscal 2013 allowance. Discontinuing these State grants halts various programs that exist in vulnerable communities. Moreover, this general fund reduction would eliminate established programs that have, in most cases, existed for numerous years without allowing local jurisdictions sufficient lead time to reorganize or reappropriate available resources to address the loss of State funding. In the absence of any program or plan to provide previously available services, it is possible that populations that have benefitted from these programs may be directly and negatively impacted by their sudden disappearance. Ultimately, the incidence of crime in the State may increase measurably due to the loss of State funding for the local law enforcement grant programs.

Recent Funding History (\$ in Millions):

Fiscal 2008	\$20.7
Fiscal 2009	20.1
Fiscal 2010	20.0
Fiscal 2011	20.3
Fiscal 2012	20.3

Stem Cell Research Fund

Description of the Action: Eliminate general fund support for stem cell research – \$10.4 million.

Impact: The Maryland Technology Development Corporation (TEDCO) would not have any funding to provide research grants to public or private universities or research facilities to conduct scientific research on stem cells in fiscal 2013. In the most recent fiscal year, TEDCO awarded 36 grants out of 180 applications. The grants totaled \$10.4 million.

Recent Funding History (\$ in Millions): The program has been funded as shown below:

Fiscal 2007	\$15.0
Fiscal 2008	23.0
Fiscal 2009	18.0
Fiscal 2010	12.4
Fiscal 2011	10.4
Fiscal 2012	12.4

Maryland Biotechnology Investment Tax Credit Reserve Fund

Description of the Action: Eliminate general fund support for the biotechnology tax credit – \$8 million.

Impact: This action would eliminate funding for the tax credit to serve as an incentive to invest in qualified biotechnology firms. The value of the credit is equal to 50% of an eligible investment. The maximum credit is \$250,000. In fiscal 2011, 158 investors qualified for tax credits related to their investments in 17 qualified Maryland biotechnology firms.

Recent Funding History (\$ in Millions): The program has been funded as shown below:

Fiscal 2008	\$6.0
Fiscal 2009	6.0
Fiscal 2010	6.0
Fiscal 2011	8.0

Sustainable Communities Tax Credit Program

Description of the Action: Delete the fiscal 2013 general fund appropriation of \$7.0 million for the Sustainable Communities Tax Credit Program.

Impact: There would be no fiscal 2013 State funding for (1) qualified rehabilitation expenditures of certified historic commercial buildings; and (2) qualified rehabilitated (nonhistoric) commercial buildings located in a Main Street Maryland Community or a sustainable community.

Recent Funding History (\$ in Millions): Sustainable Communities Tax Credit Program (formerly budgeted as the Heritage Structure Rehabilitation Tax Credit) funding has fluctuated in recent years due to budget conditions. The program has been funded as shown below:

Fiscal 2008	\$14.7
Fiscal 2009	10.0
Fiscal 2010	5.0
Fiscal 2011	10.0
Fiscal 2012	7.0

Medicaid

Description of the Action: Reduce Medicaid expenditures by \$100.8 million in general funds.

Impact: Reduce Medicaid expenditures as follows:

- imposing service limitations on non-emergency room hospital outpatient visits: \$45 million;
- capping the Primary Adult Care (PAC) program at fiscal 2012 funding levels: \$18.7 million;
- reducing managed care organization (MCO) rates by an additional 1%: \$15.7 million;
- reducing inpatient/outpatient funding based on a lower assumption for the fiscal 2013 hospital update factor: \$14 million;
- eliminating 1% fiscal 2013 nursing home rate increase: \$5.5 million; and
- reducing waiver programs services rate increase to 0%: \$1.9 million.

Recent History:

- ***Hospital Non-emergency Department Outpatient Service Limitations:*** Maryland does not currently impose limits on these services. Limits on mandatory services must meet a threshold test that allows 90% of all beneficiaries to be fully served. For example, if a state decided to impose a limit on hospital non-emergency outpatient services, 90% of all beneficiaries must be unaffected by the limit. Savings estimates are based off fiscal 2009 data and are estimated at the maximum limitation amount. Patients could still receive services as physicians would be paid, but facility fees would not.
- ***Primary Adult Care Program:*** When Maryland renewed its Section 1115 waiver in July 2011, it incorporated language (agreed to by the Centers for Medicare and Medicaid Services) authorizing the State to cap enrollment of the PAC program. The proposed reduction caps the PAC at the fiscal 2012 funding level. All PAC enrollees will be eligible for full Medicaid benefits (at 100% federal fund support in the initial years) effective January 1, 2014.
- ***MCO Rates:*** The calendar 2012 rate-setting process for the MCOs resulted in a 1.5% rate reduction. The Governor's fiscal 2013 allowance incorporates an additional 1.0% reduction as cost containment. The Department of Legislative Services (DLS) proposed an additional 1.0% reduction in the Medicaid analysis. This action represents an additional 1.0% reduction. MCO rates are required by federal law to be actuarially sound. Even with another 1.0% reduction, MCO rates would remain within the

actuarially approved range for calendar 2012. This reflects the fact that the starting rates for MCOs (based on calendar 2009 actual costs) were high and acknowledge lower use of high costs services (especially inpatient care) and a relatively healthier than anticipated population being served.

- ***Inpatient/Outpatient Update Factor Assumption:*** The fiscal 2013 budget for inpatient and outpatient services is built upon an update factor assumption for fiscal 2013 at the same rate as fiscal 2012. However, the fiscal 2012 update factor reflected the significant increase in the Hospital Medicaid Assessment in that year. That assessment grows at a much smaller rate in fiscal 2013. This reduction represents a 1% reduction in expenditures and is in addition to the 1% reduction recommended by DLS in the Medicaid analysis.
- ***Nursing Home Rates:*** The fiscal 2013 allowance includes a 1% rate increase for nursing homes. This rate increase is not tied to any increase in the nursing home assessment as has been the case in prior years. The action would provide for no increase in fiscal 2013.
- ***Waiver Program Services Rates:*** The fiscal 2013 allowance includes a 1.5% rate increase for waiver program services (medical day care, private duty nursing, personal care, and Older Adult and Living at Home waiver services). In the Medicaid analysis, DLS recommended reducing that increase to 1.0%. This action would provide for no increase in fiscal 2013.

Note: For each action, there would be an associated reduction in federal funds.

Eliminate Provider Increases for the Developmental Disabilities Administration, Mental Hygiene Administration, Foster Care, and Nonpublic Placements

Description of the Action: Eliminates \$15.2 million in provider increases included in the fiscal 2013 budget as introduced.

Impact:

- ***Foster Care*** – Will reduce funding for rate increase by \$1.4 million in general funds.
- ***Nonpublic Placements*** – Will reduce funding for rate increase by \$2.1 million in general funds.
- ***Developmental Disabilities Administration*** – Will reduce funding for rate increase by \$8.6 million in general funds.
- ***Mental Hygiene Administration*** – Will reduce funding for rate increase by \$3.1 million in general funds for community (non-rate regulated) mental health providers.

Recent History:

- ***Foster Care*** – Cost containment actions taken by the Board of Public Works (BPW) in fiscal 2009 reduced rates for residential care placements by 1%. Rates were then frozen three successive years by the Budget Reconciliation and Financing Acts (BRFA) of 2009, 2010, and 2011 (Chapters 487 of 2009, 484 of 2010, and 397 of 2011.) The BRFA of 2012 allows rates to increase by up to 1%.
- ***Nonpublic Placements*** – The BRFA of 2009 (Chapter 487) decreased the State share of funding for nonpublic placements from 80 to 70% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1%. Budget reconciliation legislation enacted in 2010 (Chapter 484) and 2011 (Chapter 397) prohibited any increases in the fiscal 2011 and 2012 rates paid to these providers.
- ***Developmental Disabilities Administration*** – In fiscal 2009, BPW reduced the community service provider rate from 2.7 to 2.0% (\$2.4 million in general funds and \$1.8 million in federal funds). In fiscal 2010, BPW took two actions to reduce the payments to community service providers, totaling \$17.1 million (\$10.2 million in general funds and \$6.9 million in federal funds). In fiscal 2011, providers did not receive a rate increase; however, the fiscal 2012 working appropriation includes \$2.2 million (\$1.6 million in general funds and \$0.7 million in federal funds) for the Developmental Disabilities Administration providers, except those that provide residential, day, and supported employment services. Providers of those services were not included in the rate increase because the agency adjusted those rates to replace absence day funding.

- ***Mental Hygiene Administration*** – Community mental health providers (*i.e.*, non-rate regulated providers) received modest rate increases averaging 2% in fiscal 2007, 2008, and 2009. In fiscal 2010, a 0.9% rate increase was approved in the budget but subsequently eliminated through cost containment by BPW. In fiscal 2011 and 2012, community mental health providers received no rate adjustments. The fiscal 2013 rate adjustment represents an increase of 0.88%.

Reduce Capacity at the Two State-operated Residential Treatment Centers

Description of the Action: Reduce residential capacity at each of the two State-operated Residential Treatment Centers (the Regional Institute for Children and Adolescents – Baltimore and the John L. Gildner Regional Institute for Children and Adolescents) to 16 beds.

Impact: Reduces funding for State operations at those facilities by \$6.5 million. Patients currently served at those facilities above the remaining capacity would be served in private residential treatment centers where there is ample capacity or in community-based alternatives. The action would likely also result in job losses to State employees through the elimination of an estimated 73 regular positions currently employed in the units to be closed as well as ancillary services.

Recent Funding History: In recent years the State has significantly reduced the utilization of residential treatment centers (public and private) by developing community-based alternatives to institutional care. For many individuals, these alternatives are generally considered to produce better outcomes and are also cost-effective. State residential treatment capacity has been significantly reduced through the closure of one facility (the Regional Institute for Children and Adolescents – Southern Maryland), as well as unit closures at the remaining two facilities (the Regional Institute for Children and Adolescents – Baltimore and the John L. Gildner).

Higher Education Funding

Description of the Action: Reduce general funds for higher education by 10% for University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College. This reduction totals \$115.5 million.

Impact: Likely increases in tuition and less funding for facilities renewal, institutional aid, increase use of adjunct faculty, larger class sizes, and reduction in number of course offerings. This could lead to increased time to graduation, increased student debt, layoffs, and reductions in some non-auxiliary student services such as libraries and technology.

University of Maryland, Baltimore	\$17,625,151
University of Maryland, College Park	39,609,463
Bowie State University	3,433,624
Towson University	8,774,575
University of Maryland, Eastern Shore	3,075,610
Frostburg State University	3,210,070
Coppin State University	3,639,798
University of Baltimore	2,904,599
Salisbury University	3,821,431
University of Maryland University College	3,281,799
University of Maryland Baltimore County	9,233,765
University of Maryland Center for Environmental Science	1,877,265
University System of Maryland Office	1,850,035
Baltimore City Community College	4,234,240
St. Mary's College of Maryland	1,815,411
Morgan State University	7,084,370
	\$115,471,205

Recent Funding History (\$ in Millions): General funds (does not include Higher Education Investment Funds which are used in lieu of general funds):

Fiscal 2008	\$1,129.4
Fiscal 2009	1,007.8
Fiscal 2010	1,149.5
Fiscal 2011	1,145.6
Fiscal 2012	1,120.7

Aid to Community Colleges

Description of the Action: Reduce the Senator John A. Cade Funding Formula appropriation by 10% from the level specified in the Budget and Reconciliation Act of 2012 – \$19.9 million.

Impact: Appropriation to local community colleges falls, and community colleges will likely have to increase tuition rates to make up at least part of the difference. The overall Cade formula appropriation declines from \$199.2 million to \$179.3 million.

The college by college impact is shown below:

<u>College</u>	Fiscal 2013	Fiscal 2013	<u>Difference</u>
	<u>BRFA</u>	<u>Contingent Reduction Options</u>	
Allegany	\$4,773,622	\$4,296,260	-\$477,362
Anne Arundel	27,235,329	24,511,796	-2,723,533
Baltimore	34,398,366	30,958,529	-3,439,837
Carroll	6,851,515	6,166,364	-685,152
Cecil	4,645,751	4,181,176	-464,575
CSM	10,902,580	9,812,322	-1,090,258
Chesapeake	5,675,815	5,108,234	-567,582
Frederick	8,145,648	7,331,083	-814,565
Garrett	2,246,709	2,022,038	-224,671
Hagerstown	6,965,064	6,268,557	-696,506
Harford	9,990,806	8,991,726	-999,081
Howard	12,584,485	11,326,037	-1,258,449
Montgomery	35,998,553	32,398,698	-3,599,855
Prince George's	22,013,074	19,811,766	-2,201,307
Wor-Wic	6,748,796	6,073,916	-674,880
Total	\$199,176,113	\$179,258,502	-\$19,917,611

BRFA – Budget Reconciliation and Financing Act

Recent Funding History (\$ in Millions):

FY 2008	\$194.5
FY 2009	202.6
FY 2010	199.8
FY 2011	194.4
FY 2012	194.4

Sellinger Aid to Nonpublic Institutions

Description of the Action: Reduce \$38.4 million in aid through the Sellinger program to private nonprofit institutions by 100% below the BRFA of 2012.

Impact: In fiscal 2012, Sellinger aid was \$38.4 million and the BRFA of 2012 continues to level fund the program in fiscal 2013. This action would reduce Sellinger aid for a total reduction of \$38.4 million in fiscal 2013. As the majority of this aid is currently used for scholarships for Maryland residents to attend the fifteen eligible private non-profit schools, the affordability of these private institutions would be negatively affected.

Recent Funding History (\$ in Millions): The program has been funded as shown below:

FY 2007	\$50.0
FY 2008	56.1
FY 2009	50.4
FY 2010	38.4
FY 2011	38.4
FY 2012	38.4

Senator and Delegate Scholarships

Description of the Action: Eliminate Senator and Delegate Scholarships – \$11.8 million.

Impact: In fiscal 2011, Senators and Delegates awarded 13,530 students with varying awards. Without this program, those students could not receive continuing support from their respective delegate or senator.

Recent Funding History (\$ in Millions): The program has been funded as shown below:

FY 2007	Senator	\$6.4	Delegate	\$4.9
FY 2008	Senator	6.5	Delegate	4.8
FY 2009	Senator	6.5	Delegate	4.7
FY 2010	Senator	6.5	Delegate	4.8
FY 2011	Senator	6.5	Delegate	5.0
FY 2012	Senator	6.5	Delegate	5.1

Eliminate Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Projects

Description of the Action: Eliminate remaining \$25.0 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund fiscal 2013 spending. An amendment to the Budget Reconciliation and Financing Act of 2012 would transfer these revenues to the General Fund.

Impact: The single largest source of nonpoint source pollution reduction funding would not be available in fiscal 2013. Funding for cover crops (\$12.0 million), natural filters such as wetland restoration and reforestation (\$9.0 million), and agency technical assistance through soil conservation districts (\$2.2 million) would not be provided thus making it more difficult to meet Maryland's two-year milestones and ultimately Watershed Implementation Plan goals for Chesapeake Bay restoration.

Recent Funding History (\$ in Millions): Reflects actual and projected spending.

Fiscal 2008	\$0.0
Fiscal 2009	9.0
Fiscal 2010	7.3
Fiscal 2011	22.6
Fiscal 2012	22.9

Elimination of Cost-of-living Adjustment

Description of the Action: Eliminate State Employee cost-of-living adjustment (COLA).

Impact: Eliminates \$46.9 million (\$33.8 million in general funds) in statewide appropriations to fund a 2% COLA, programmed to take effect on January 1, 2013.

Recent Funding History: The 2011 collective bargaining agreement provided for the fiscal 2013 COLA, as it also stipulated the one-time \$750 bonus provided to State employees in fiscal 2012. There has not been an employee COLA in the State budget since fiscal 2009, when a 2% increase was approved that began on July 1, 2008. Subsequently, State employees' salaries were reduced by furlough programs in fiscal 2009, 2010, and 2011.

Increase Employee/Retiree Share of Health Insurance Premiums

Description of the Action: Increase employee share of health insurance costs by \$15.0 million.

Impact: The percentage of health insurance premiums charged to employees and retirees will be increased to generate \$25.0 million in savings (\$15.0 million in general funds) to the State program. Currently, members pay 20% of Preferred Provider Organization premiums, 17% of Point of Service, 15% of Exclusive Provider Organization, and 20% of prescription plans (retirees pay 25% of prescription premiums). To generate this savings, employee/retiree premium contributions would increase by approximately 3 percentage points. Health plan costs are estimated to rise by 6% annually in future years.

Recent Funding History: The fiscal 2013 allowance provides \$993.0 million (\$595.8 million in general funds) for the subsidization of health insurance benefits to State employees and retirees. The fiscal 2012 budget increase the copays of active/retired employees for prescription drugs and the retiree share of prescription drug premiums. The fiscal 2013 budget introduces coinsurance charges and copay increases to the medical health insurance benefit that will increase the employee and retiree share of the benefit by \$43.9 million.

Eliminate 500 Positions

Description of the Action: Abolishes 500 positions and \$30 million from the State's personnel complement.

Impact: Provides a general fund reduction of \$30 million by removing the salary and fringe benefits expenditures associated with 500 positions. Given the large scale of position reductions in the recent past, the abolition of 500 additional positions would significantly impact service delivery in departments that rely on general funds, such as Public Safety and Correctional Services, Health and Mental Hygiene, Human Resources, the Judiciary, and Juvenile Services. The value of the abolished positions is estimated to grow at 7% in future years due to planned salary adjustments and increased fringe benefit costs.

Recent Funding History: Positions in the Executive Branch, where all fully general funded positions are found, have been reduced from 53,363.6 full time equivalent (FTE) positions in fiscal 2007 to the 50,183.4 in the fiscal 2013 allowance, a net abolition of 3,180.2 FTEs.

Reduce Agency Operating Expenses by 8%

Description of the Action: Reduce general funds supporting agency operating expenses by 8% – \$50.0 million.

Impact: Operating expense estimate excludes salaries and wages, some contracts (such as Medicaid payments), grants, and land expenditures. Reducing these appropriations by 8% would require agencies to make reductions in technical and special fees (such as contractual employment), communication, travel, fuel and utilities, motor vehicles, supplies, equipment, and fixed costs.

Recent Funding History (\$ in Millions):

Fiscal 2009	\$599
Fiscal 2010	605
Fiscal 2011	590
Fiscal 2012	625

Local Aid Impact

Jurisdiction	Supplemental Disparity Grants	Disparity Grants	GOCCP Police Aid	GOCCP Local Law Enforcement Grants	Eliminate GCEI	Library Aid	Per Pupil Reduction to \$6,650	Eliminate Teacher Quality Programs	Total
Allegany	-1,632,106	-729,851	-565,744		0	-76,708	-978,816	0	-3,983,225
Anne Arundel	0		-4,323,397		-9,042,800	-211,364	-4,466,588	0	-18,044,149
Baltimore City	-6,972,596	-7,754,249	-53,839	-10,367,614	-22,396,367	-603,434	-11,566,137	0	-59,714,236
Baltimore	0		-6,317,434		-5,478,127	-525,589	-8,212,938	0	-20,534,088
Calvert	0		-513,835		-2,291,041	-36,742	-1,184,926	0	-4,026,544
Caroline	-685,108	-213,178	-223,356		0	-26,783	-608,735	0	-1,757,161
Carroll	0		-1,044,214		-2,535,378	-94,122	-2,030,733	0	-5,704,447
Cecil	0		-635,123		0	-70,258	-1,472,640	0	-2,178,021
Charles	0		-800,823		-3,498,074	-86,112	-2,275,912	0	-6,660,921
Dorchester	-308,913	-202,269	-248,740		0	-24,950	-469,360	0	-1,254,232
Frederick	0		-1,491,173		-6,379,612	-129,825	-3,313,293	0	-11,313,903
Garrett	-406,400	-213,127	-154,606		0	-11,943	-257,891	0	-1,043,967
Harford	0		-1,785,739		0	-148,693	-3,068,799	0	-5,003,231
Howard	0		-2,256,458		-5,119,581	-81,224	-3,193,176	0	-10,650,439
Kent	0		-130,799		-137,992	-8,470	-105,274	0	-382,535
Montgomery	0		-9,846,736		-32,796,296	-272,098	-8,339,924	0	-51,255,054
Prince George's	-7,628,702	-2,169,477	-11,694,871	-3,760,902	-38,292,762	-628,925	-12,921,728	0	-77,097,367
Queen Anne's	0		-266,490		-558,377	-13,383	-447,766	0	-1,286,016
St. Mary's	0		-558,918		-226,253	-59,047	-1,367,348	0	-2,211,566
Somerset	-381,999	-490,817	-161,907		0	-26,344	-323,924	0	-1,384,991
Talbot	0		-264,152		0	-10,579	-162,421	0	-437,152
Washington	0		-959,605		0	-115,805	-2,241,776	0	-3,317,186
Wicomico	-1,567,837	-219,704	-665,452		0	-89,673	-1,675,144	0	-4,217,810
Worcester	0		-457,571		0	-14,407	-251,541	0	-723,519
Unallocated	0	0		-6,639,484	0	-1,605,881	0	-5,232,000	-13,477,365
Total State	-\$19,583,662	-\$11,992,672	-\$45,420,982	-\$20,768,000	-\$128,752,660	-\$4,972,359	-\$70,936,790	-\$5,232,000	-\$307,659,125